

29 October 2010

---

TO: ASX Limited  
Singapore Exchange Securities Trading Limited

## Victorian Electricity Distribution Price Determination (2011-15) AER Final Decision

SP AusNet welcomes the Australian Energy Regulator's (AER) Final Decision regarding the Victorian electricity distribution network price determination for 2011 to 2015.

The AER's Final Decision approves higher levels of capital and operating expenditure for SP AusNet, compared with those anticipated under the draft decision issued by the AER in June 2010. The higher expenditure allowances are required to support replacement of ageing assets, to meet higher customer peak demand and to comply with new safety related obligations that have been imposed on the business since the draft decision.

Managing Director, Mr Nino Ficca, said, "The release of the Final Decision regarding our electricity distribution network means approximately 90% of SP AusNet's total revenue is now locked in until the end of 2012. This revenue provides the business with stable and predictable cash flows, which are linked to CPI."

"SP AusNet is committed to the continued delivery of reliable and efficient electricity supply to customers and we are pleased the AER has recognised this commitment, together with the challenges faced by our distribution network," Mr Ficca said.

---

**For further information contact:****Investor Relations**

John Nicolopoulos  
Manager, Investor Relations  
+61 3 9695 6301 or +61 409 672 912

**Media Relations**

Louisa Graham  
Manager, Corporate Communications  
+61 3 9695 6405 or + 61 418 358 327

**SP AusNet**

SP Australia Networks (Distribution) Ltd  
ABN 37 108 788 245

SP Australia Networks (Transmission) Ltd  
ABN 48 116 124 362

SP Australia Networks (Finance) Trust  
ARSN 116 783 914

SP Australia Networks (RE) Ltd  
ABN 46 109 977 371  
AFS Licence No. 294117 as responsible entity for SP  
Australia Networks (Finance) Trust

Level 31  
2 Southbank Boulevard Southbank  
Victoria 3006 Australia

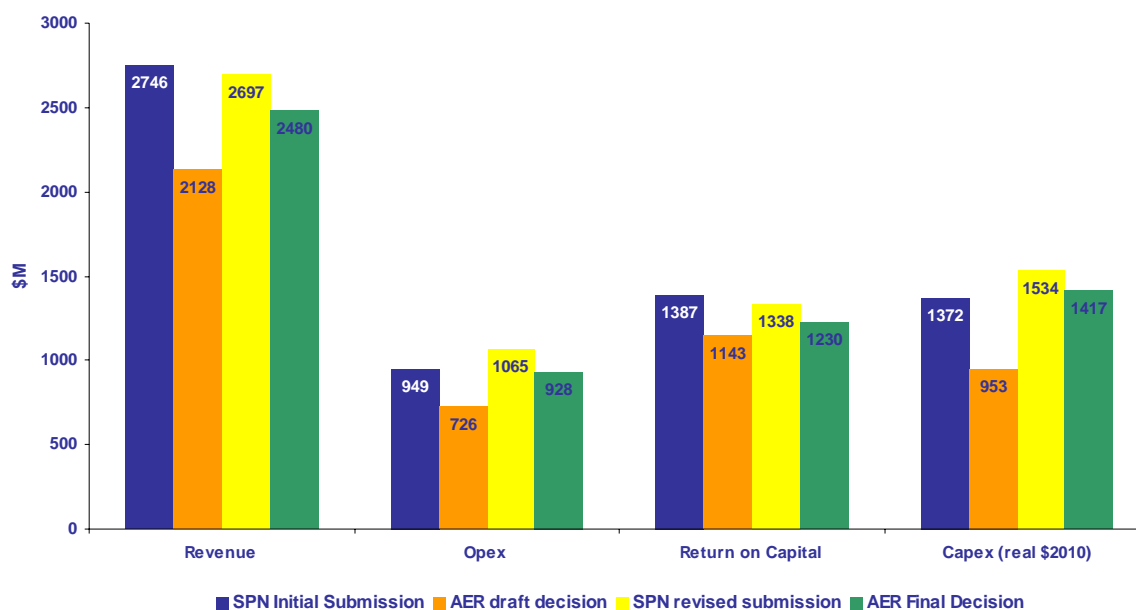
Locked Bag 14051  
Melbourne City Mail Centre  
Victoria 8001 Australia

Tel: +61 3 9695 6000  
Fax: +61 3 9695 6666

## Price Determination – Process & Outcomes

The electricity distribution network price review process commenced in November 2009 with SP AusNet lodging its initial submission to the AER. The AER subsequently issued its draft decision in June 2010. SP AusNet responded with a revised submission in July 2010. The AER today released its Final Decision, with key outcomes highlighted below.

**Electricity Price Review 2011-2015**



The final decision allows for the following revenues under the building block approach (\$nominal):

Year ending 31 Dec (\$M)	2011	2012	2013	2014	2015	Total	Avg
Operating Costs	163	174	185	199	207	928	186
Return on Assets	200	220	245	270	296	1230	246
Regulatory Depreciation	91	51	62	58	55	318	64
Cost of Tax	11	3	5	4	4	27	5
Efficiency Carryover	11	-25	-9	2	0	-21	-4
S Factor	41	21	-8	-2	-90	-36	-7
<b>Total Revenue</b>	<b>430</b>	<b>458</b>	<b>488</b>	<b>528</b>	<b>575</b>	<b>2480</b>	<b>496</b>

The AER's final decision delivers an initial real average price change on 1 January 2011 (known as  $P_0$ ), followed by annual price changes from 2011–2015. The 2011  $P_0$  is -10%, which represents a positive price adjustment in the first year. Subsequent annual price changes will be to increase prices by CPI adjusted for an X-factor which has been determined to be 4% in 2012-2013 and 5% in 2014-2015. The Final Decision provides for a total energy consumption increase of 0.84% from 2011 to 2015.

## WACC parameters

The Final Decision provides for a Weighted Average Cost of Capital (WACC) of 9.65% (in nominal, after-tax terms).

Parameter	Current Period	SPN Proposal	Draft Decision	Final Decision
Risk Free Rate	5.27%	5.47%	5.65%	5.14%
Debt Risk Premium	1.43%	4.71%	3.25%	4.05%
Beta	1.0	0.8	0.8	0.8
Gamma	0.50	0.50	0.65	0.50
Market Risk Premium	6.0	8.0	6.5	6.5
Nominal Vanilla WACC	8.53%	10.86%	9.68%	9.65%
Nominal Post Tax Return on Equity	11.27%	11.87%	10.85%	10.34%
Net Capex (\$M Dec 2010)	996	1,372	953	1417
Opex (\$M Dec 2010)	670	904	672	858
Revenue (Nominal)	1738	2,746	2,104	2,480

For a full copy of the Final Decision please refer to SP AusNet's website, [www.sp-ausnet.com.au](http://www.sp-ausnet.com.au)