

4 March 2013

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Kilmore East Class Action Commences

A. THE FACTS

1. On 7 February 2009, catastrophic bushfires ignited and burnt in several regions of Victoria. This day was to become known as "Black Saturday". One of these fires started in Kilmore East and extended through Kinglake by the time it was extinguished.
2. The Kilmore East bushfire caused 119 deaths and damaged or destroyed more than 1,200 homes and properties. The plaintiff lost her son in the Kilmore East bushfire and she brings an action against SP AusNet, the State of Victoria and Utility Asset Management (an asset inspection contractor) in the Supreme Court of Victoria as the lead plaintiff in a class action proceeding. The hearing is due to commence today (Monday 4 March 2013).
3. The plaintiff alleges that the fire started when a conductor on SP AusNet's distribution network fell to the ground, and that this resulted in some way from the negligence of SP AusNet.
4. The Court's function is to determine why the conductor failed and in doing so, to determine whether there was negligence on the part of SP AusNet. The Court will also decide whether any other person who is a defendant in the proceeding contributed to the loss and damage that occurred as a consequence of that fire.
5. SP AusNet is a publicly listed company. This proceeding has already been, and continues to be, the subject of considerable public comment. The purpose of this outline is to ensure that the market is fully informed by balanced comment on these issues.

B. THE EVIDENCE

6. An enormous volume of evidence, analysis and research has been prepared by all parties to the class action. This evidence consists of expert and lay evidence and scientific tests to measure facts of relevance to the actual events that occurred on Black Saturday.
7. In a trial like this, experts engaged by all parties discuss their analysis and findings to arrive at a consensus about what happened, prior to the commencement of the trial.
8. It is agreed by the experts that the initiating damage to the conductor was caused by lightning. The lightning damage undermined the intended fail-safety inherent in the conductor design. The conductor could have remained in place for a considerable period if it had not been damaged by lightning.
9. SP AusNet will lead evidence that the damage caused by the lightning was so microscopic, that no detection practice of the time, no matter how frequent or sophisticated, could have detected it. Once struck by lightning, it was inevitable that this conductor would break and fall to the ground.

10. The conductor that broke serviced only a few customers in a remote country area and is one of many thousands of this kind of conductor that is used around Australia in these circumstances. In the 15 years prior to Black Saturday, there was no known example of a fire being ignited due to the failure of such a line within the electricity network now owned by SP AusNet.

C. MITIGATING SUCH DAMAGE AND LOSS

11. The plaintiff alleges that SP AusNet should have replaced the line prior to Black Saturday, or otherwise applied devices to the line that would have reduced vibration (“dampers”). It is alleged that dampers would have prevented the conductor failing on Black Saturday.
12. SP AusNet will lead evidence at the trial that:
 - (a) it had diligently adhered to the mandated maintenance and inspection schedule for this line and had received regulatory and safety authority approval for its practices in the period before Black Saturday;
 - (b) the damage caused by lightning could not have been detected;
 - (c) the line that failed was one of a kind that had not been known to have caused a fire within the electricity network now owned by SP AusNet in the 15 years prior to Black Saturday,and therefore, there was no reason known at the time for replacing the conductor prior to Black Saturday.
13. SP AusNet will also lead evidence to show that a damper would not have prevented the failure occurring on Black Saturday.
14. Similarly, SP AusNet’s evidence will also establish that the suppression of devices that re-open the circuit on a line when there is a very minor fault or interference, would not have prevented the ignition of the fire on Black Saturday in the conditions that prevailed that day.
15. The trial is scheduled to run for many months. During that time SP AusNet anticipates that the plaintiff will lead evidence alleging that the conductor was old and rusty and that SP AusNet did not appropriately manage its assets. SP AusNet’s evidence will be that age and rust had no role to play in the failure of the conductor and that SP AusNet managed its assets appropriately and in accordance with its obligations.

D. THE ROYAL COMMISSION FINDINGS

16. In 2009, the Victorian Government established the Bushfires Royal Commission, which was charged with the responsibility for determining the causes of the Black Saturday bushfires, with a view to making recommendations to avoid future events of this kind and magnitude.
17. Although the Bushfires Royal Commission was not charged with responsibility for attributing liability for the fires, it concluded that SP AusNet’s broken conductor caused the ignition of the Kilmore East bushfire, and that SP AusNet could have prevented this by adopting more vigilant inspection processes.

18. SP AusNet's evidence in the class action proceeding will show that the Bushfires Royal Commission's findings were based on incomplete evidence and that reasonable inspection processes would not have detected the damage caused by lightning that ultimately led to the conductor failing.

E. CONCLUSION

19. SP AusNet has sincere sympathy for those who suffered as a result of the Black Saturday bushfires. We understand and share the desire to determine the cause of this fire and to do all that can be done to avoid any events of this kind and magnitude from occurring again.
20. SP AusNet strongly believes that its practices and procedures comply with regulatory and safety obligations, and endorsement from the regulators prior to Black Saturday is consistent with this view.
21. SP AusNet's commitment to its customers and the people of Victoria is to deliver electricity safely and reliably. Consistent with this objective, we have invested more than \$2.5 billion upgrading, maintaining and operating our electricity distribution network since it was acquired in 2004.
22. SP AusNet remains confident that its practices and procedures did not cause or contribute to the Kilmore East bushfire.

Susan Taylor
General Counsel & Company Secretary

For further information contact:

Investor Relations

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

Media Relations

Jonathon Geddes
Media Advisor
+61 3 9695 6401 or + 61 410 573 278

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

www.sp-ausnet.com.au