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TO: ASX Limited
 Singapore Exchange Securities Trading Limited

SP AusNet expresses disappointment with Draft Determination

SP AusNet has expressed disappointment with the Australian Energy Regulator's (AER) draft price determination for Victoria's electricity distribution businesses for 2011-2015, released last Friday.

In its draft determination, the AER has reduced SP AusNet's proposed capital expenditure by 30.5 per cent and operational expenditure by 24.2 per cent. This reduction, if endorsed in the AER's final determination, would significantly limit SP AusNet's plans to secure, maintain and grow its network to meet anticipated consumer demand over the next five years.

SP AusNet Managing Director Nino Ficca said the draft determination failed to acknowledge the robust analysis and economic modelling that underpinned SP AusNet's submission.

"Our submission reflects the changing needs of the electricity distribution sector over the next five years, driven by increasing peak demand, the need for investment in infrastructure replacement and ensuring reliable and safe supply to Victorian consumers," Mr Ficca said.

"Our analysis is also based on our experience of the current regulatory period, during which we invested 30 per cent more (\$225 million) than that provided by the regulator. This included responding to increased residential and business demand in the growth corridors in the Cranbourne/Pakenham and Epping/Plenty Valley areas," he said.

Mr Ficca also expressed disappointment in the regulatory process that appears to have created inconsistency between Victoria and the AER's recent decisions in other states.

"If confirmed in the AER's final determination, this would mean substantially less investment in Victoria, compared to other states," he said.

"This inconsistency is difficult to comprehend. The maintenance and replacement requirements for existing infrastructure in Victoria are similar to those in the other states.

"Added to this, Victorian population growth is creating further demand for new network investment. In particular, business and household connections in SP AusNet's distribution network are expected to increase by around 68,000 in the coming five years.

"If the investment required over this period is not planned now, this will simply impact our ability to meet consumer demand and create greater and unplanned price increases down the track," Mr Ficca said.

Mr Ficca said SP AusNet would continue to work with the AER to ensure the final determination, due in October, provides for the level of expenditure required for the efficient, reliable and safe supply of electricity to its consumers.

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SP AusNet's submission can be found on the AER website:
<http://www.aer.gov.au/content/index.phtml/itemId/732546>

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