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TO: ASX Limited
Singapore Exchange Securities Trading Limited

Electricity Distribution Price Review 2016-20 AER Preliminary Decision

The Australian Energy Regulator (AER) published the Preliminary Decision on AusNet Services' 2016-20 Electricity Distribution Price Review proposal earlier today. The following table summarises the AER's Decision by the two main services: distribution and metering.

	Proposal (\$M)	AER Determination (\$M)	% Difference
Distribution Services			
Total Revenue	3,461	2,887	-17%
Total Capital Expenditure	1,866	1,614	-14%
Total Operating Expenditure	1,260	1,191	-5%
Metering Services			
Total Revenue	505.6	442.5	-12%
Total Capital Expenditure	164.8	56.4	-66%
Total Operating Expenditure	150.6	150.6	0%

Most of the 17% reduction from the Distribution Services proposal relates to the AER determining a rate of return that is inconsistent with the current low interest rate environment and overvaluing imputation credits for investors. The AER has failed to account properly for the return on equity required by investors since the Global Financial Crisis. Both these matters are under appeal in the Australian Competition Tribunal and it is expected that the outcome of these appeals will be applied in the Final Decision.

The AER's approval of capital expenditure related to bushfire safety obligations and the inclusion of a mechanism to incorporate future Government mandated expenditure is welcomed. AusNet Services' customer engagement revealed strong support for continued investment to reduce further bushfire risk.

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In respect of Metering Services, a substantial amount of capex associated with the proposed prudent and orderly replacement of communications infrastructure has been rejected by the AER. AusNet Services will review the determination thoroughly. As necessary, we will provide further information to the AER to challenge these outcomes.

For a full copy of the determination please refer to the AER's website, www.aer.gov.au.

About AusNet Services

AusNet Services is the largest diversified energy network business in Victoria, owning and operating over \$11 billion of electricity and gas distribution assets, including the state-wide electricity transmission network. The company also has a non-regulated division, Select Solutions, providing utility services.

Headquartered in Melbourne, Australia, AusNet Services employs more than 2,600 people to service over 1.3 m consumers and is listed on the Australian Securities Exchange (ASX: AST) and the Singapore Stock Exchange (SGX-ST: AZI.SI). For more information visit AusNet Services' website, www.ausnetservices.com.au.