

# ASX & SGX-ST Release



19 September 2016

**TO:** ASX Limited  
Singapore Exchange Securities Trading Limited

## AusNet Services Investor Day Presentation

Attached is a slide pack to be presented at the AusNet Services Investor Day today.

**Claire Hamilton**  
Company Secretary

# AusNet Services

## Investor Day



19 September 2016

**mission**zero

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# AusNet Services

## Investor Day



Nino Ficca – Managing Director

**mission**zero

**Leverage core capabilities to build a portfolio of high performing and sustainable *regulated* and *contracted energy infrastructure businesses***



**Focus 2021 targets:**

- Operate all three core networks in the top quartile of efficiency benchmarks
- Grow our:
  - contracted energy infrastructure asset base to \$1bn
  - specialist services to essential infrastructure operators

# Productivity & efficiency



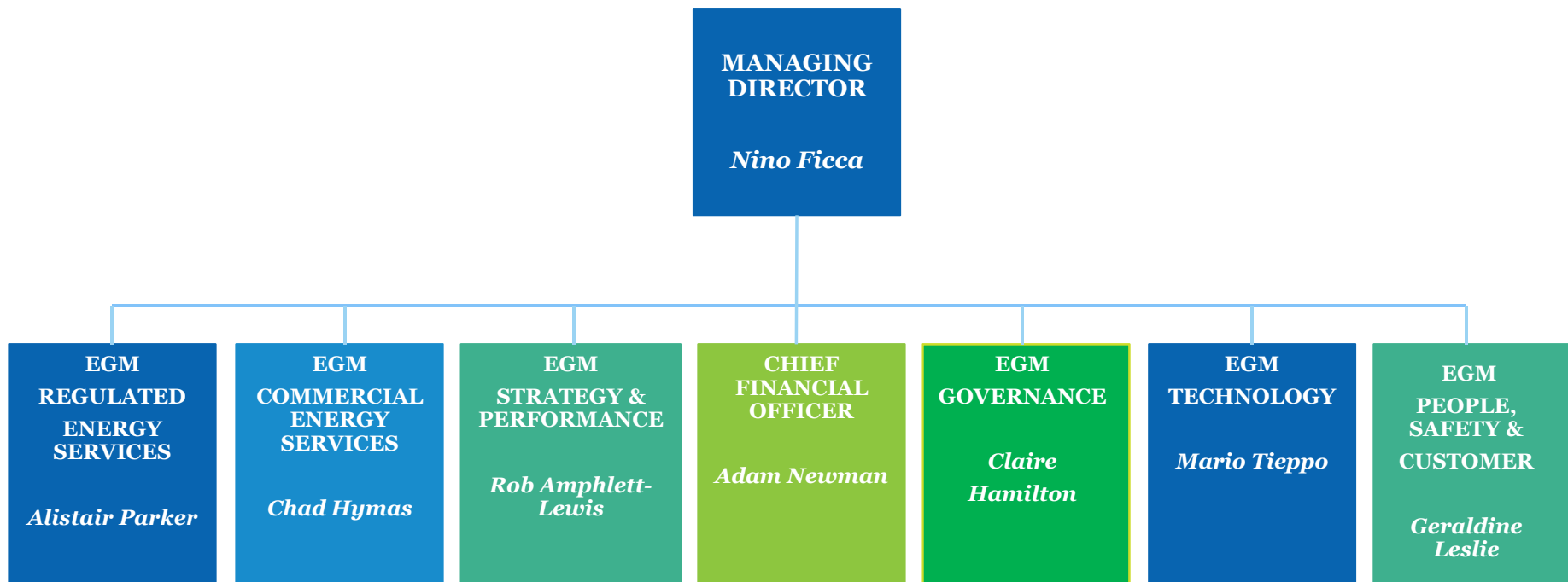
*Total factor productivity benchmarking highlights electricity transmission and gas distribution as **efficient** networks. Electricity distribution benchmarking indicates mid-range performance*

*ERP platform implemented on time and on budget. Progressing toward target of around **\$40m p.a.** (\$20m opex / \$20m capex) of benefits by FY19*

**AusNet Services continues its business-wide efficiency initiatives, including:**

- **Enhancing design processes and works integration to limit multiple truck-rolls to network points**
- **Using centralised procurement expertise to drive down contract costs**
- **Centralising commercial management, driving down unit-rate and contract variations**
- **Improving resource efficiency and streamlining the workforce by centralised planning and scheduling**
- **Select Solutions refocus, targeting higher value IP, high margin growth areas**
- **Operating Model Changes, aligning to Corporate Strategy**
- **Pursuing various outsourcing arrangements across a range of functions**

# Executive Leadership Team



# Regulated Energy Services



Alistair Parker

Executive General Manager - Regulated Energy Services



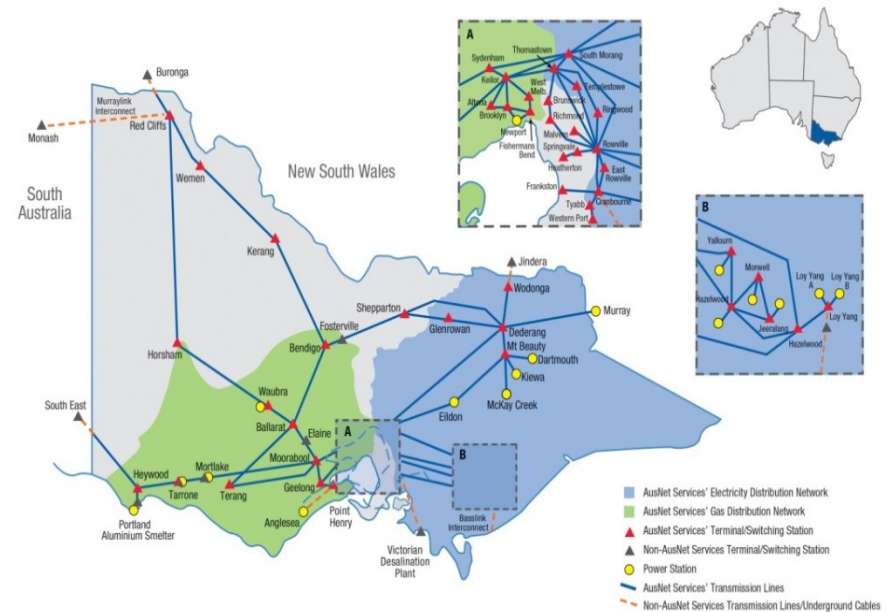


**REGULATED BUSINESS**  
Lead network transformation and embrace change

Drive efficiency and effectiveness throughout the portfolio to maximise value

**Key Focus 2021 target for the Regulated business:**

- Operate all three core networks in the top quartile of efficiency benchmarks



# Key Reform Issues



## Limited Merits Review

- COAG Terms of reference “to explore all feasible options, including the removal of limited merits review”
- Some recognition that the Tribunal and the AER are part of the problem
- Industry putting forward serious reform alternatives to removal

## Ring Fencing

- Regulators do not want to interfere in competitive infrastructure services
- Policy makers do not appear to want to head down the path of ‘dumb’ networks
- Recognition that rural networks may need to source non-network solutions internally
- Do not want to prevent politically popular innovation trials (Community mini grid)

## Regulatory Investment Test Review

- COAG reviewing regulatory test for new transmission to meet growth in renewables
- Heywood-SA upgrade to increase capacity by 40%, with an investment of \$108m (\$45m AusNet Services / \$63m ElectraNet), \$190m of net market benefits (AEMO)

# Price Review Update



## TRR Draft Decision

- Capex allowance safety risk calculations
- Inflation
- AER expected to maintain cost of capital decision until appeals are resolved

## GAAR Proposal

- Proposal to be lodged in December 2016
- Draft Decision expected in June 2017
- Final Decision expected in October 2017

## EDPR Appeal

- Appeal to be heard in November

# Commercial Energy Services



Chad Hymas

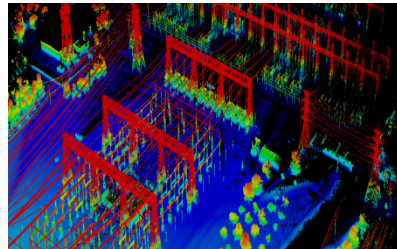
Executive General Manager - Commercial Energy Services



# Commercial Energy Services

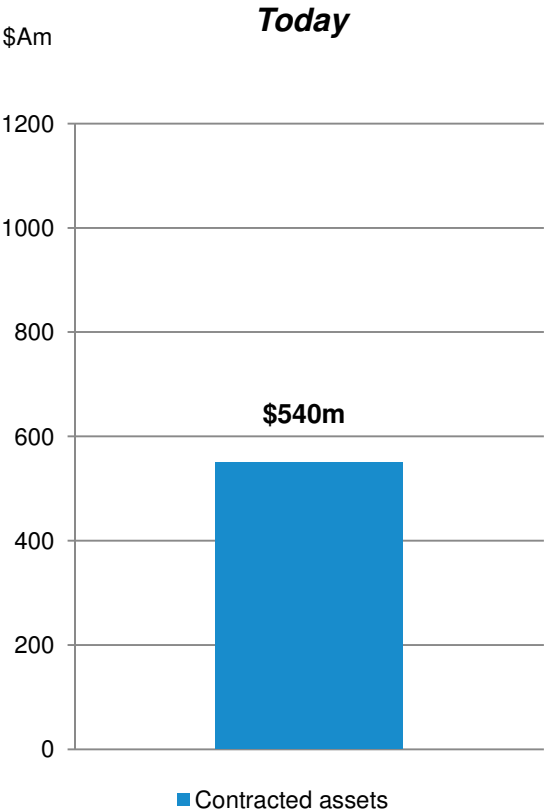


*“Commercial services built around the dimensions of assets, high value services and innovation”*

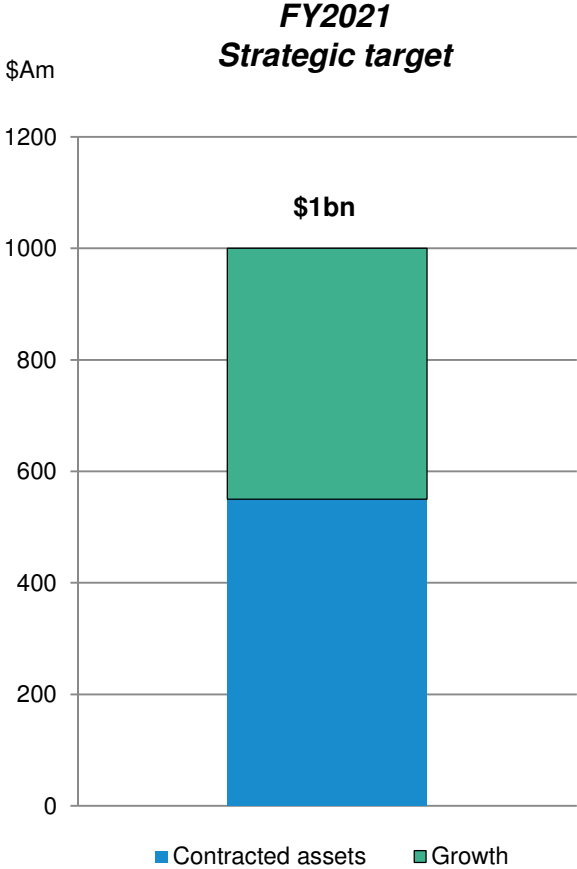


A business that grows by leveraging the core capabilities and partnering to success

# Current Asset Base & Growth Strategy

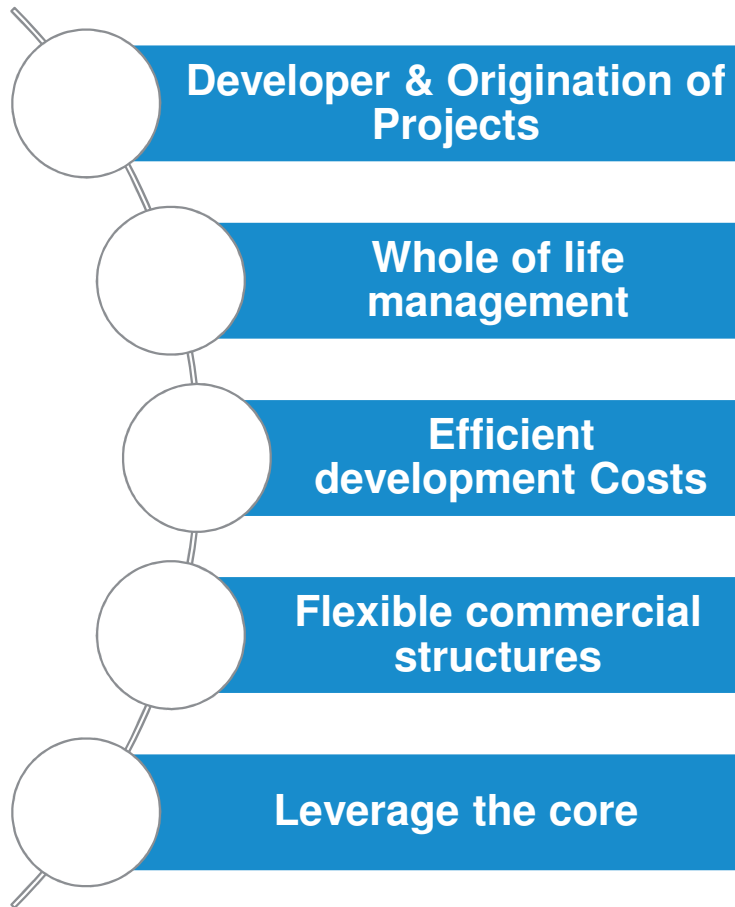


- Focus 2021 Strategy**
- Facilitate open and competitive investment across the NEM
  - Leverage core capabilities & expertise
  - Diversify geographical footprint nationally



A focus on owning and operating electrical infrastructure

# Capability



AusNet Services has:

- Significant experience in offering these services; and
- An established a portfolio of contracted assets of approximately \$A540m.



Macarthur Wind Farm: AusNet Services built the terminal station to connect 420MW wind farm near Tarrone, Victoria.

# Market Developments & Pipeline



- Federal Government RET Targets
- Vic Government announcement for renewable Auctions
  - 25% by 2020
  - 40% by 2025



**MEDIA RELEASE**

**Certainty and growth for renewable energy**

The Senate has passed a Renewable Energy Target (RET) that will result in Australia's electricity being derived from renewable sources by 2020. There will be considerable growth in both small and large scale renewables industry with the certainty it provides. We're also protecting industry and jobs by Trade-Exposed industries from costs associated with the transition to clean energy.

23 June 2015

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**CEFC continues to lead transformation of investment in Australian clean energy**

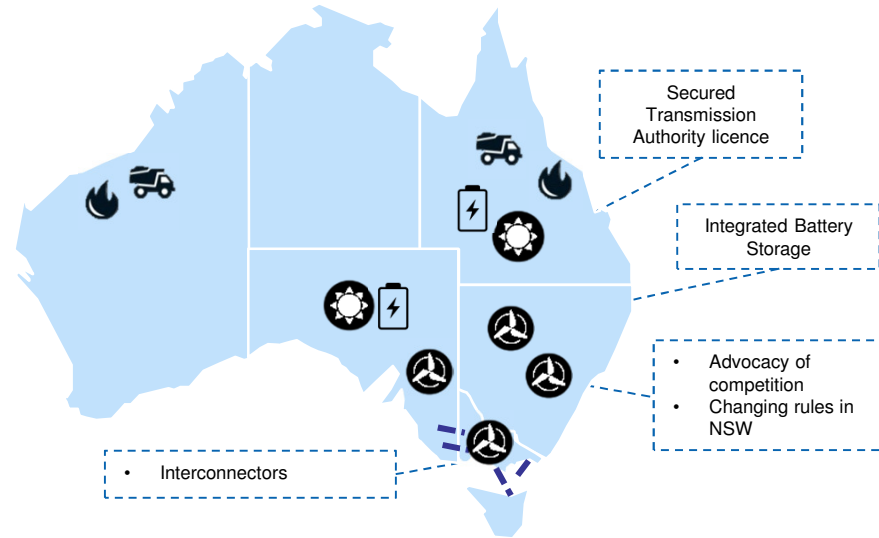
Tuesday 26 July 2016

The Clean Energy Finance Corporation (CEFC) committed a record \$837 million to new investments in the Australian clean energy sector in the 2015-16 financial year, contributing to projects with a total value of \$3.5 billion. The CEFC's investment commitments since its inception in 2013 have now reached \$2.3 billion. The CEFC is fulfilling its leadership role in transforming clean energy investment in the Australian economy. This year we have also mobilised an even greater amount of private sector capital into clean energy activities. Across the economy, we are working to accelerate investment in renewable energy, increase energy efficiency in the manufacturing and transport sectors and improve energy standards in the built environment. Our investments are delivering clean energy solutions to rural and regional Australia, as well as to our cities.

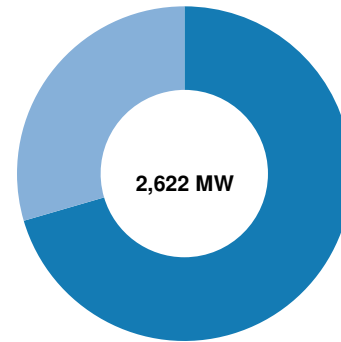
In its third year of operation, the CEFC achieved a 77% year-on-year increase in the value of new investment commitments, including a substantial increase in the number of smallest investments and new capital products, demonstrating the growing strength and breadth of the CEFC's financing model.

Mr Yates added: "We are actively targeting areas of economic activity where clean energy investment can improve energy efficiency, cut carbon emissions as well as lower operating costs. The CEFC's involvement in projects continues to attract additional private sector investment, which is critical if Australia is to achieve its emissions reduction commitments and meet the Renewable Energy Target. We are pleased with the level of private sector interest we are seeing in clean energy, but this will need to further increase in the years ahead, Australia still faces a considerable investment challenge to deliver the clean energy solutions necessary to reduce emissions."

## External Factors



## Strong Pipeline



■ Generation    ■ Load



# Investments



- Demonstrated development capabilities and innovative solutions
- Securing attractive returns with stable, long-term cash flows, CPI linked
- De-risking projects by leveraging operational skillsets & experience
- Managed counterparty risk with strong commercial arrangements
- Obtained Queensland Transmission licence, rule change may allow contestability in NSW

# Current Portfolio



## Acquisition of Mortlake Terminal Station

AusNet Services has operated since commissioning and acquired the terminal station from Origin in 2016. The terminal station is for Origin's gas fired power station.



## Victorian Desalination Plant – EHV Cable

AusNet Services has a licence agreement to operate and maintain the underground EHV cable which services the desalination plant, located in Southern Victoria.

**15 other Assets – approximately \$200m**

Demonstrated and proven track record for over 20 years in the competitive Victorian market place for transmission services.



# The Community Mini Grid

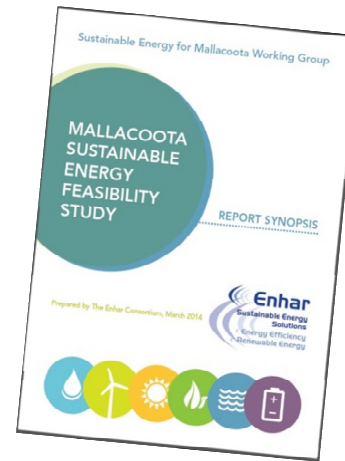


Dhammika Adihetty & Mark Judd



# AusNet Services experience

- **Existing minigrid (Mt Baw Baw)**
- **Community interest:**
  - Mallacoota Feasibility Study
- **Residential Battery Storage trial:**
  - Solar PV & storage behind the meter
- **Grid Energy Storage System:**
  - 22kV connected battery & diesel gen set
- **Community Minigrid: NEW**
  - Proposed in our 2016-20 EDPR under the Demand Management Innovation Allowance
- **Beaconsfield Minigrid Demonstrator: NEW**



# The economic advantages of sharing



There is a strong community drive for a renewable energy future.

There is a role for the grid for the sharing of power. AusNet Services is keen to explore this with our communities.

The household Solar and Battery cost equation (today)

## Off grid System Cost Comparison

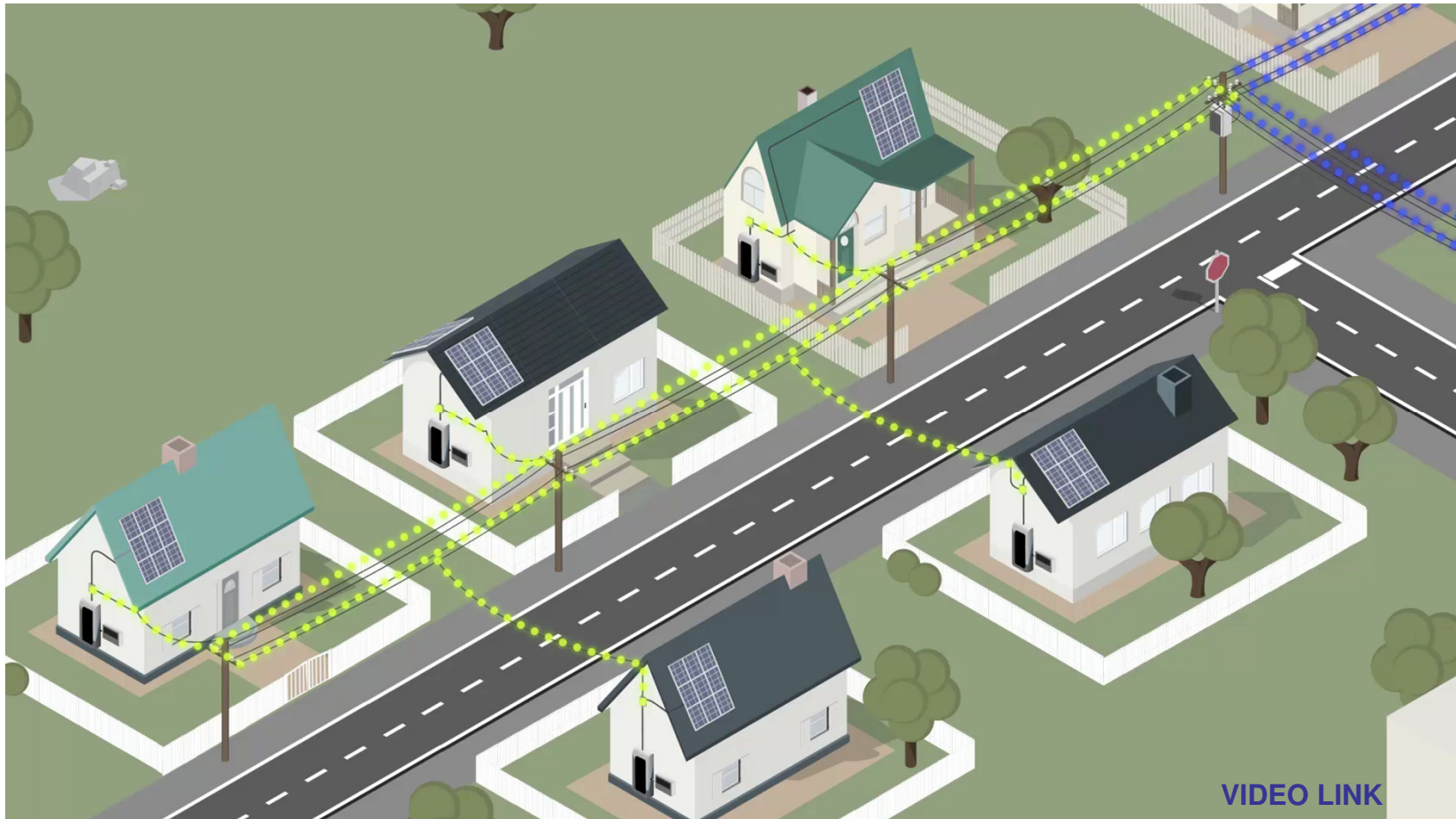
90%	1x
99.9%	2 – 4 x
90%	0.5 x (30 houses sharing)

Distributed Energy Resources (DER) has the potential to provide benefit to the network.

Totally Renewable  
Yackandandah is a 100% volunteer run community group, formed in 2014, with the lofty goal of powering this small Victorian town with 100% renewable energy and achieving energy sovereignty by 2022.



# The Community Mini Grid



# Dealing with challenges: research and trials



New Energy St - Test and Demonstration Facility

# The importance of simple, accessible system design



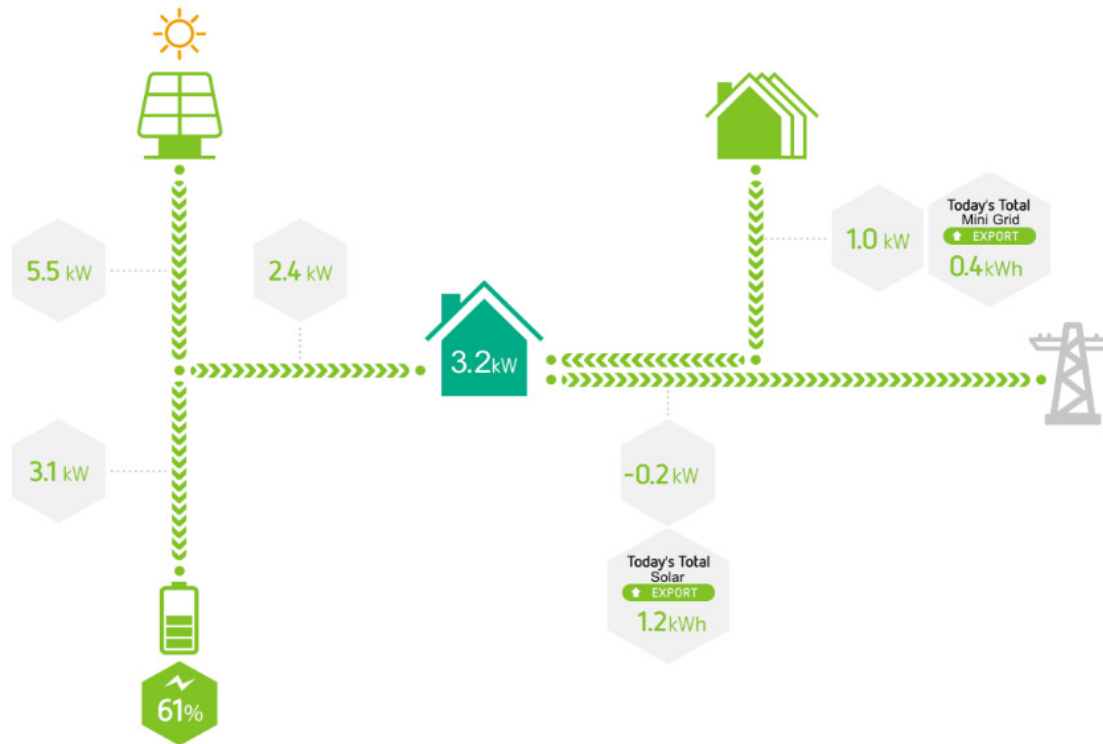
The Community Mini Grid Demonstrator

Beaconsfield Settings

Overview Energy Monitor Energy Manager Energy Exchange Map Reports Billing Help

Site Energy Flow - 6 Test St

20 April 2016 - 10:38 am



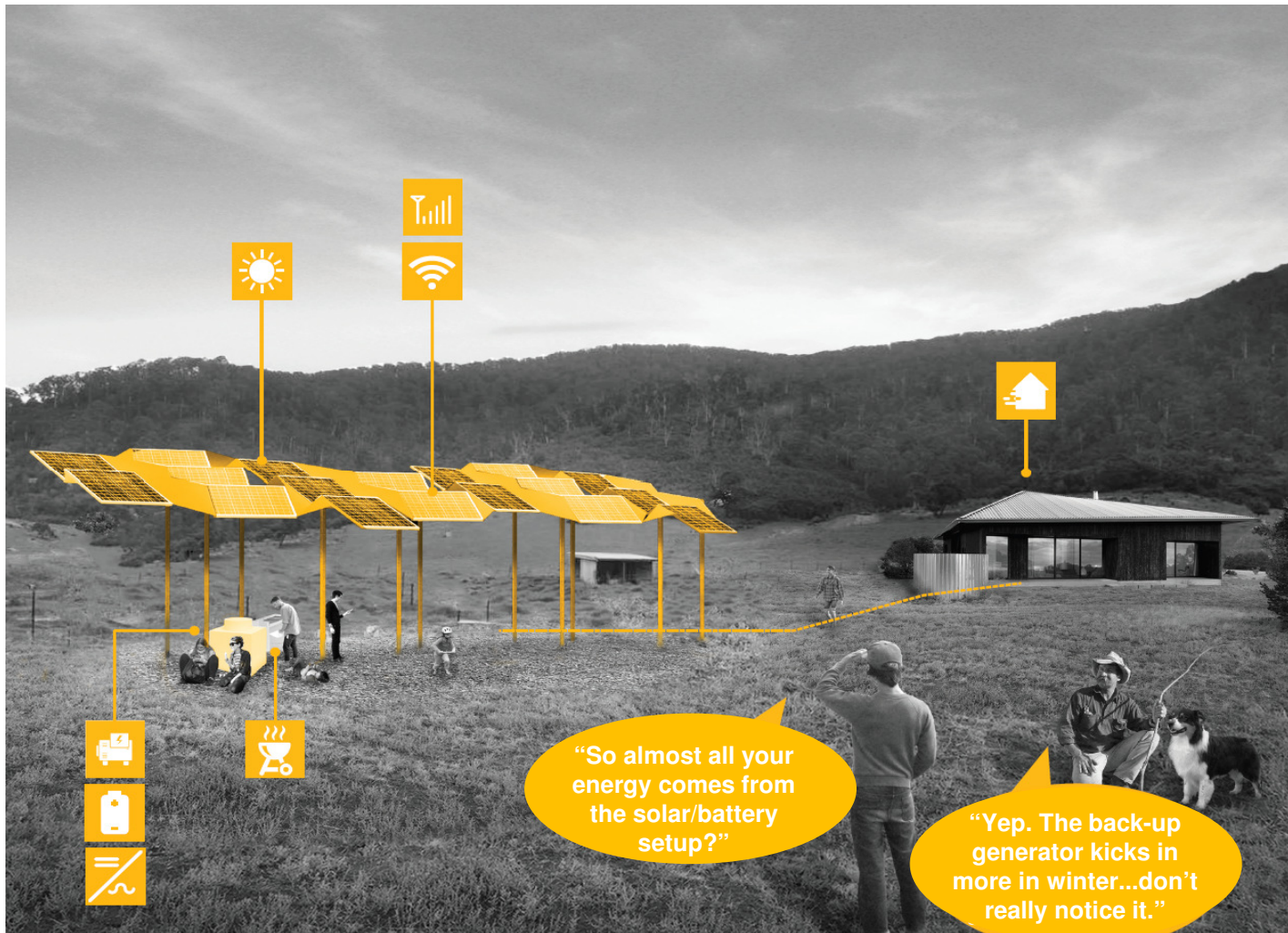
### Site Load

Air Conditioner	0.51/h
Pool Pump	0.25/h
Hot Water	0.37/h
Other	1.38/h
<b>Total</b>	<b>\$ 2.51/per hour</b>



# Remote Area Power Systems - Pre-concept design

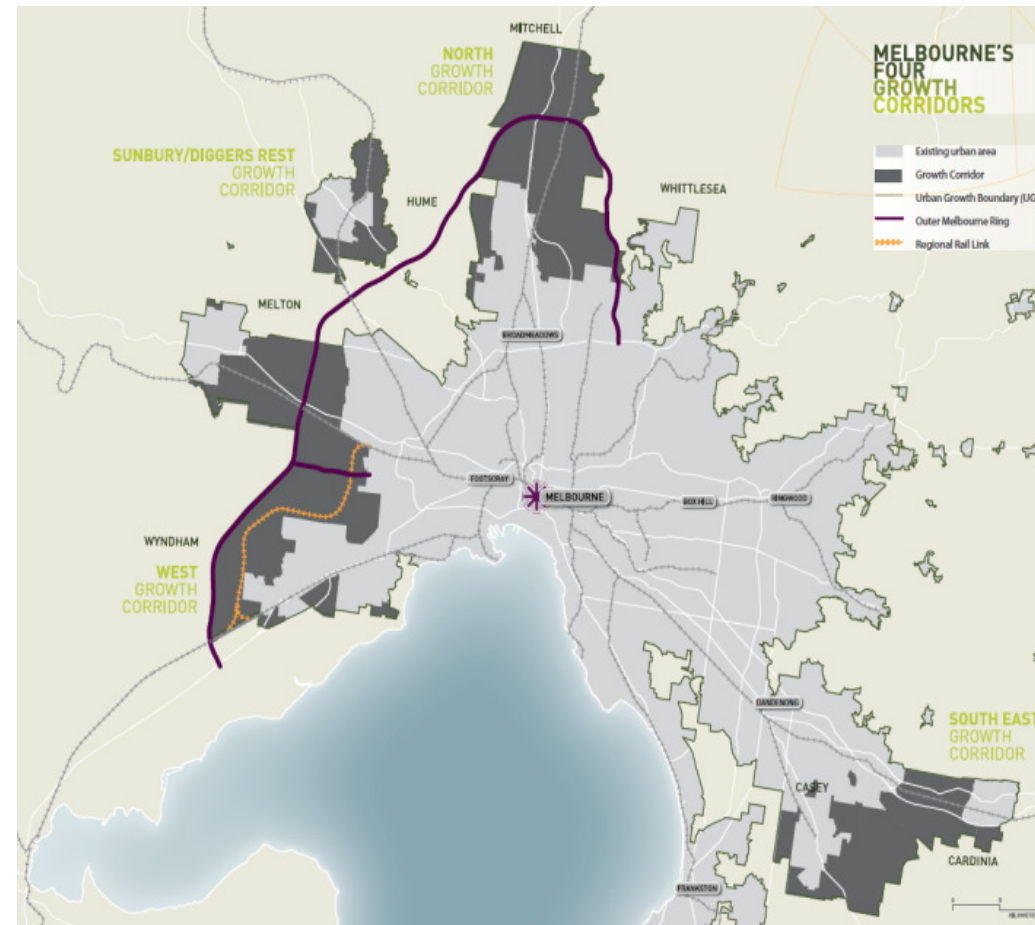
Developing the aesthetics of energy systems



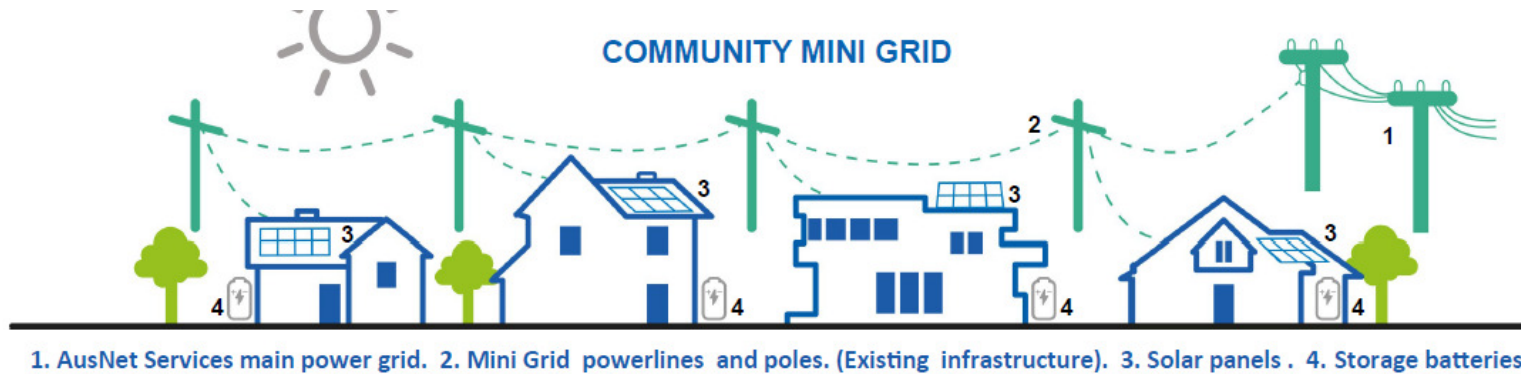
# The greater marketplace



- **Greenfields**
  - New Sustainable Subdivisions
  - Smart Cities
  - New affluent subdivisions
- **Brownfields**
  - Existing Communities where the grid is uneconomic
  - Embedded Networks
  - Commercial & Industrial
  - Pro-renewable Communities



# Community Mini Grid



# CBD Terminal Station Rebuilds



Nino Ficca  
Managing Director



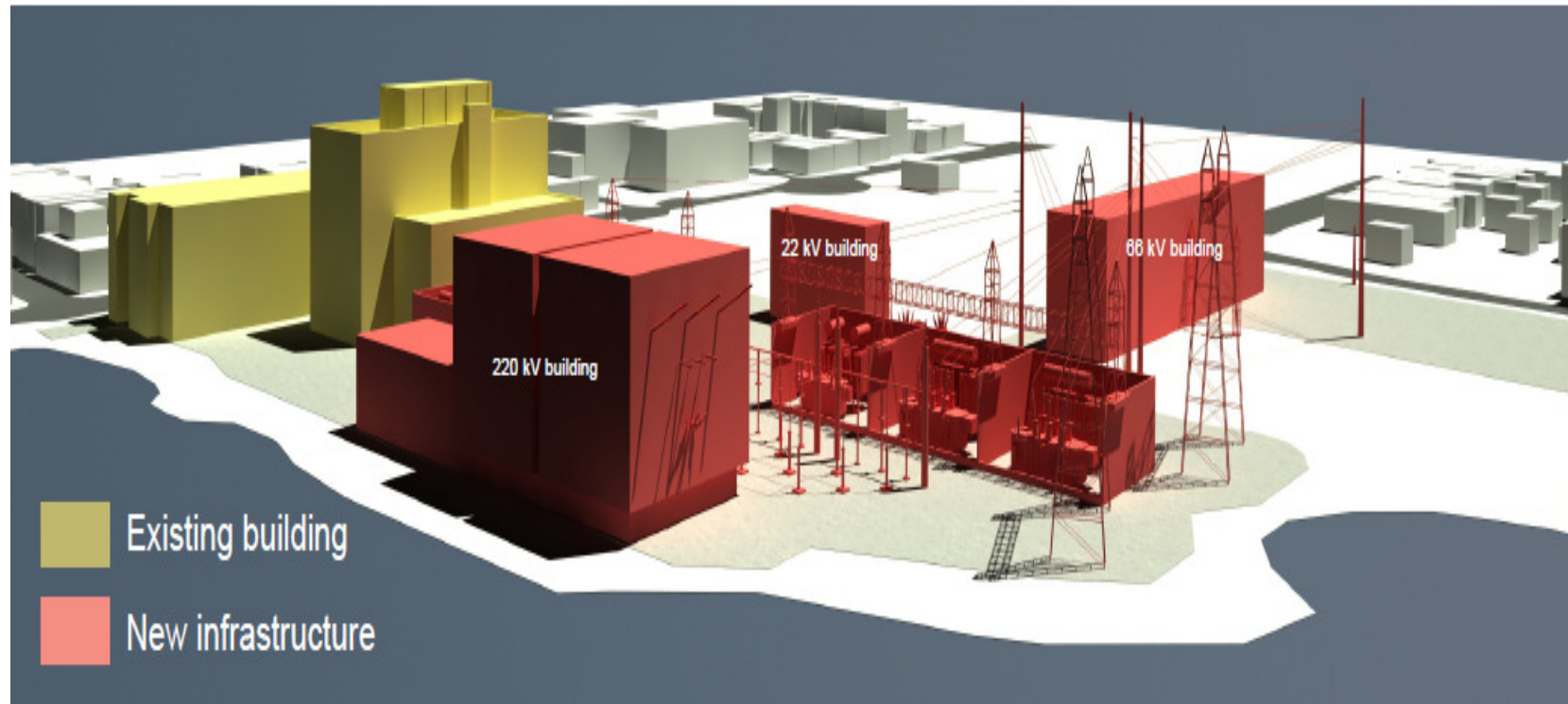
# Richmond Terminal Station Rebuild - scope of works



## **Richmond Terminal Station (RTS) rebuild involves:**

- Replacing existing switchyards with new Gas Insulated Switchgear (GIS) technology
- Constructing new buildings to house switchgear
- Replacing old transformers
- Reconfiguring the site layout
- Works staged over approximately 7 years
- Planning Permit Application approved Feb 2012
- Target completion end 2018

# RTS – scope overview



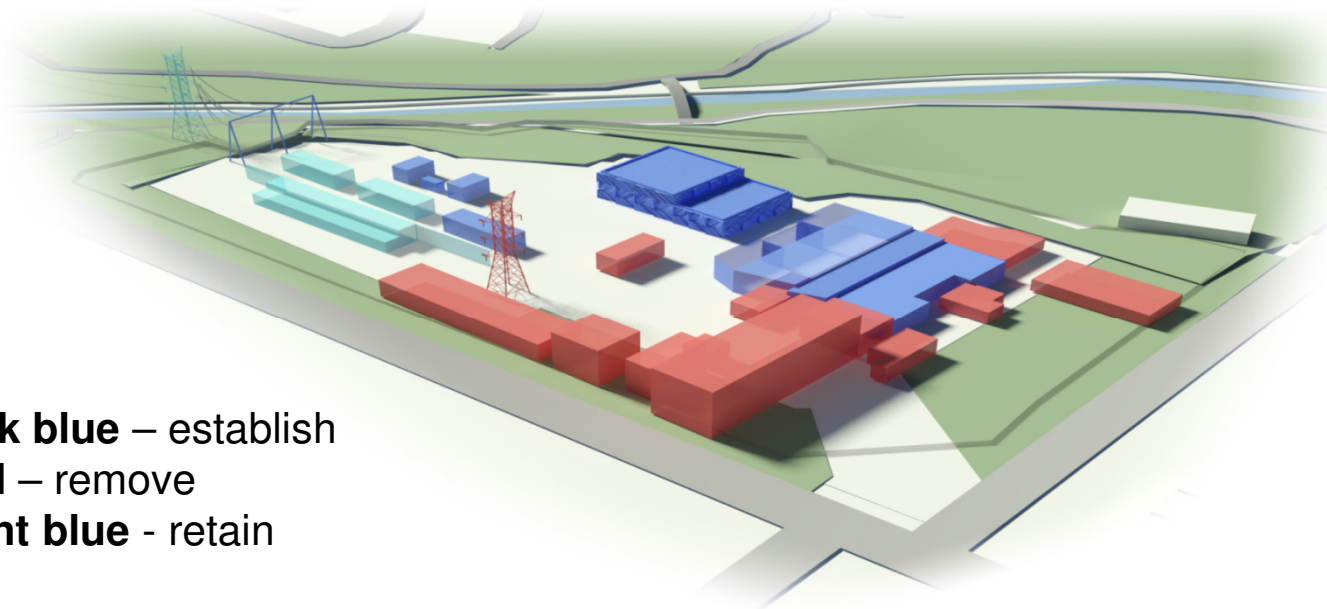
# Brunswick Terminal Station Rebuild - scope of works



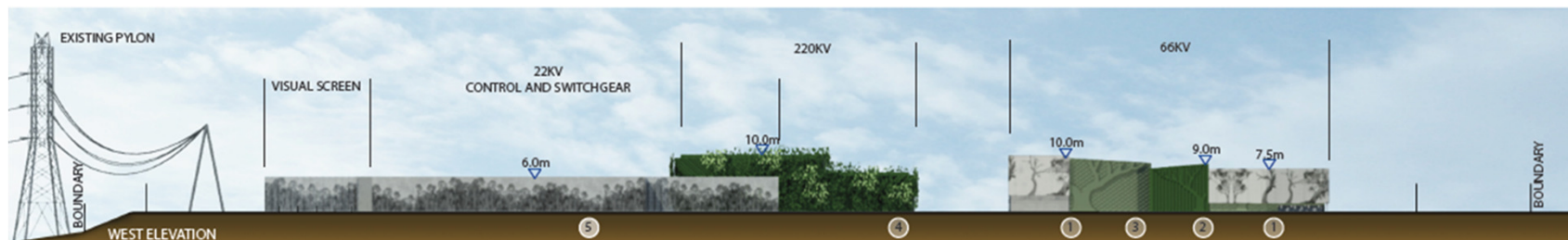
## **Brunswick Terminal Station (BTS) upgrade involves:**

- Replacing existing 220kV switchyard with new Gas Insulated Switchgear (GIS) technology
- Constructing new buildings to house switchgear
- Establishing 66kV supply point
- Removal of redundant buildings – landscape perimeter
- Works staged over approximately 3 years
- Planning approvals Sept 2014
- Target completion mid 2017

# BTS scope - overview



**Dark blue** – establish  
**Red** – remove  
**Light blue** - retain





## Further Information and Contacts



- ▶ AusNet Services is the largest diversified energy network business in Victoria, owning and operating around \$12 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 specialist utility services.
- ▶ Headquartered in Melbourne, Australia, AusNet Services employs more than 2,500 people to service over 1.3 million consumers and is listed on the Australian Securities Exchange (ASX: AST) and the Singapore Stock Exchange (SGX-ST: AZI.SI).
- ▶ For more information visit [www.ausnetservices.com.au](http://www.ausnetservices.com.au)

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AusNet Services Finance Trust  
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AusNet Services  
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