

ASX & SGX-ST Release



24 September 2014

TO: ASX Limited
Singapore Exchange Securities Trading Limited

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AMI Program Update

Enclosed is an announcement made by AusNet Services which is provided for the information of AusNet Services Holdings Pty Ltd noteholders.

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AusNet Services
AusNet Services (Distribution) Ltd
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AusNet Services (Transmission) Ltd
ABN 48 116 124 362
AusNet Services Finance Trust
ARSN 116 783 914

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

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Advanced Metering Infrastructure Program (AMI) Update

AusNet Services has installed almost 700,000 smart meters, representing 99.9% of the premises to be completed under the Victorian Government's mandated AMI Program. AusNet Services has converted around 400,000 of the installed meters to communicate remotely with the market.

In May 2014, AusNet Services advised that it had detected unexpected instability in its AMI systems performance. This came to light only after a considerable level of scale had been achieved and during testing of a large number of its meters. As a result, AusNet Services undertook a technical review to address the instability, with a view to enabling all meters to communicate remotely with the market and so complete the AMI Program.

This review has now been completed and the key findings are:

- No replacement of the core systems is required.
- Although AusNet Services expected to have a number of customers whose meters would be beyond the reach of AusNet Services' core wireless network, requiring another communication technology to be deployed, these areas are larger than expected and a wider deployment of the secondary communication technology is required.
- Further investment in data management systems and supporting infrastructure is also needed to scale up for the remaining 300,000 meters not currently being read remotely.

Accordingly, a remediation plan has been drawn up to stabilise the existing end-to-end metering systems and to complete the network coverage. AusNet Services believes that this approach is prudent and reasonable in all the circumstances, and will yield a workable and cost-effective solution on an on-going basis.

Remediation will commence as soon as possible and full completion and implementation of the AMI Program is estimated to be achieved by the end of 2016.

The future expenditure required to stabilise the existing AMI systems, to complete network coverage and complete the AMI Program has been estimated at \$175m (Capex/Opex split is 90:10), with the vast majority of this expenditure expected to be incurred by 31 December 2015.

The table below highlights expenditure that will be subject to future regulatory approval by the AER, comprised of \$70m in calendar year 2013 (which is the subject of an application currently before the Australian Energy Regulator (AER)), \$65m expenditure from January 2014 to end August 2014, forecast AMI metering business costs of \$40m and forecast remediation expense (described above) of \$175m.

AusNet Services will seek to recover this additional AMI Program expenditure within the regulatory framework. We will also seek to recover other additional AMI expenditure in the usual course of the distribution price review process. The AER has discretion whether or not to approve any such applications for recovery of additional expenditure.

1 Jan 12 – 31 Dec 15	\$M
Total AMI Expenditure (Actual / Forecast)	\$686m
AER Approved Budget ¹	\$335m
AMI Expenditure subject to future regulatory approval	\$351m

Notes: All dollars presented in nominal figures

¹This excludes the \$89m 'regulatory shortfall' relating to the Budget and Charges Application, referred to in the AGM Presentation, 17 July 2014.

Beyond 31 December 2015, the expenditure required to complete the AMI program, provide metering services, and operate the AMI solution will be subject to approval under the 2016-2020 Electricity Distribution Price Review.

On 31 July 2014, AusNet Services advised that it may be required to make a payment of up to \$37.5m under the Victorian Government's customer rebate policy. This policy requires AusNet Services to pay a fixed amount of \$125 per customer as a one-off lump sum for premises which do not have a smart meter installed that communicates remotely with the market by 31 March 2015. Based on the current program and further clarification from the Victorian Government, it is expected that this rebate will be paid in full by 30 June 2015.

On 17 September, AusNet Services was informed that it had been unsuccessful in an administrative review of the AER's AMI 2012-15 Budget Determination, in which the AER disallowed \$56.4m of AusNet Services' costs. Further information is provided in the announcement made to the ASX and SGX by AusNet Services on 6 August 2013. AusNet Services is considering its position on this matter.

Further details and updates on progress will be provided as part of the Half Year Results announcement in November.

There will be no change to the 2015 distribution guidance of 8.36 cents per security as a result of this additional expenditure.

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