

ASX & SGX-ST Release



20 July 2016

TO: ASX Limited
Singapore Exchange Securities Trading Limited

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Transmission Revenue Reset 2017-22 - AER Draft Decision

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
ABN 37 108 788 245
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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Transmission Revenue Reset 2017-22 - AER Draft Decision

The Australian Energy Regulator (AER) published the Draft Decision on AusNet Services' 2017-22 Transmission Revenue Reset earlier today. The Draft Decision is summarised in the following table.

	AusNet Services Proposal (\$M)	AER Draft Determination (\$M)	% Difference
Total Revenue	3,161	2,695	-14.7
Total Capital Expenditure	815	622	-23.7
Total Operating Expenditure	1,182	1,110	-6.1

Most of the 14.7% revenue reduction from AusNet Services' initial proposal relates to the AER determining a rate of return that reflects the current record low interest rate environment and an overvaluing of imputation credits for investors (known as gamma). AusNet Services' proposed valuation of gamma has previously been upheld by the Australian Competition Tribunal, but has been further appealed by the AER to the Federal Court.

It is important for AusNet Services to consider fully the AER's proposed cuts to capex to ensure that these will not result in diminished safety standards applied on the network. AusNet Services intends to provide further evidence to support the importance of existing standards with a view to persuading the AER that an improved capex allowance is justified and should be reflected in the Final Decision due by 31 January 2017.

For a full copy of the Draft Decision 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 \$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 utility services.

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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.