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2010-2015 Draft regulatory decision

Background: Every five years, the Regulator (now the *Australian Energy Regulator - AER*) must hand down a determination establishing the level of reliability and customer service to be delivered by ETSA Utilities in managing the SA electricity distribution network and, accordingly, set prices to allow for their achievement.

The determination is made on the basis of a Regulatory Proposal submitted by ETSA Utilities, which has proposed investing \$2.2 billion (nett) in expanding and upgrading SA's electricity distribution network over the next five years – more than double the investment made in 2005-2010.

The AER today issued a draft decision on the proposal. A final decision is due in April with a 1 July commencement for the 2010-2015 regulatory period.

Commenting on the release of the draft decision, ETSA Utilities CEO Lew Owens said:

"We will need to review the AER's detailed draft decision carefully before issuing our considered response to the Regulator as the next step in the process.

"Our proposal was comprehensive and based on extensive consultation with stakeholders and customers regarding their requirements over the next five years.

"We note that the Regulator is suggesting a reduction in our proposed capital spend. In particular, they have reduced planned expenditures on the low voltage network and asset replacement that we believe are necessary to maintain network reliability for our customers. This may compromise our ability to maintain reliability performance in the future. That is something our customers need to understand.

"The AER has also rejected outright, the proposed upgrade of electrical infrastructure for Kangaroo Island, the State's premier tourist destination.

"Clearly prices will rise for our customers, but we believe, and the Regulator agrees, that increased investment in the network is essential. That said, ETSA Utilities will remain a cost-efficiency leader amongst Australian electricity distribution businesses – having delivered a 16.8% reduction in real terms in distribution prices for residential customers since 2003-2004**."

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**Source: *Essential Services Commission of SA 2008-2009 Annual Performance Report.*

About ETSA Utilities

ETSA Utilities is South Australia's electricity distributor, delivering electricity to more than 800,000 customers. We are one of South Australia's largest organisations, employing about 1800 people throughout metropolitan and regional SA. ETSA Utilities is 51 percent owned by Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings, which form part of the Cheung Kong Group of companies. The remaining 49 percent is owned by ASX-listed Spark Infrastructure.