

# POWERFUL ASSET PERFORMANCE



ANALYST BRIEFING & SITE TOUR  
MONDAY, 2 JUNE 2008  
MELBOURNE

# AGENDA



10.40am Welcome and introduction – Bob Stobbe

10.45am Briefing on CitiPower and Powercor – Shane Breheny

11.30am Briefing on ETSA Utilities – David Syme

12.15pm Lunch

1.00pm Site tour

2.30pm Conclusion

# **CitiPower and Powercor Business overview**

**Shane Breheny, CEO**

# Business Ownership Structure 2008

## Cheung Kong Holdings Ltd

- Property
- Merchant Banking
- Stock Holdings



49.9 %

## Hutchison Whampoa Ltd

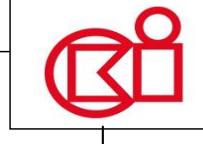
- Property
- Telecommunications
- Container Ports
- Energy
- Hotels
- Retail



84.6 %

## Cheung Kong Infrastructure Holdings Ltd

- Energy
- Transportation
- Water



23 %

## Hong Kong Electric Holdings Ltd

- Utility
- Engineering consultancy
- Infrastructure development

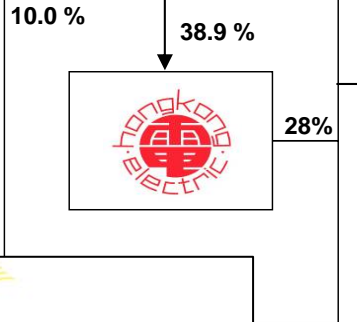


28 %

## Spark Infrastructure



49 %



10.0 %

38.9 %



Powercor



CitiPower

# CHEDHA Holdings

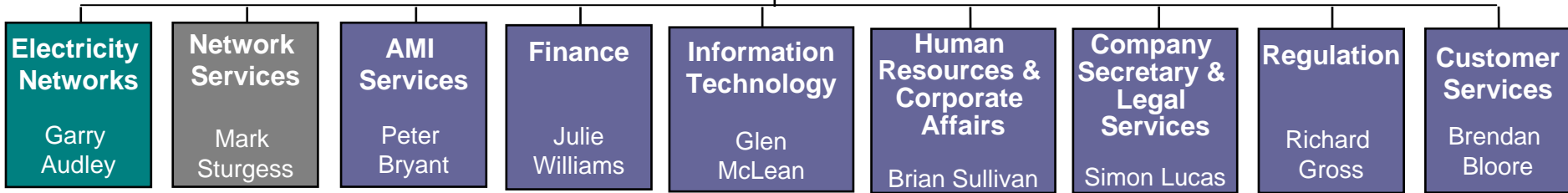
## Board of Directors

Peter Tulloch	Cheung Kong Infrastructure (Chairman)
Peter St. George	Spark Infrastructure
John Dorrian	Spark Infrastructure
Bob Stobbe	Spark Infrastructure
Andrew Hunter	Spark Infrastructure
H L Kam	Cheung Kong Infrastructure
K S Tso	Hongkong Electric Holdings
C T Wan	Hongkong Electric Holdings
Shane Breheny	CitiPower and Powercor Australia

Key decisions require 75 % majority

# CitiPower & Powercor Australia Organisation Structure

**Chief Executive Officer**  
Shane Breheny



Business Performance & Improvement  
Asset Strategy & Performance  
Control & Operations  
Customer Projects  
Safety & Environmental Compliance  
Engineering  
Asset Inspection & Maintenance  
Regional Asset Management

Design, Engineering, Construction & Field Services  
Business Development  
Project Management  
Logistics/ Supply Chain Management  
Resource Management

Advanced Interval Meter Rollout  
Metering Services  
Metering and Communication Technologies

Finance  
Taxation  
Treasury  
Purchasing & Contracts  
Corporate Risk Management  
Property Services  
Fleet & Logistics  
Financial Planning  
Business Planning  
Strategic Planning

Information Technology  
Business Information Systems

Human Resources  
Corporate Affairs  
Quality Management  
Health & Safety  
Industrial Relations  
Training & Development  
Environment & Sustainability

Company Secretary  
Legal  
Audit  
Real Estate

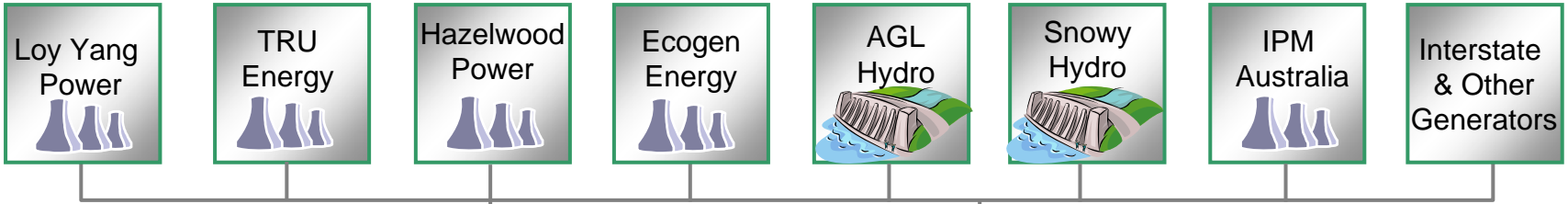
Regulation  
Network Pricing  
Price Reset  
Business Development  
Innovation

Customer Response  
Revenue Management  
Retail & Customer Relations  
Data Management  
Connection Services  
Customer Service

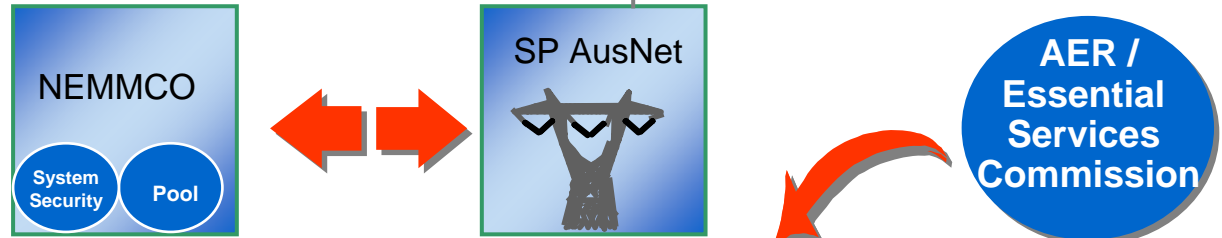
**Operating asset entities**
 **Business Unit of regulated entity**
 **Back office business units (within the CHED Services legal entity)**

# Victorian Industry Structure – 2008

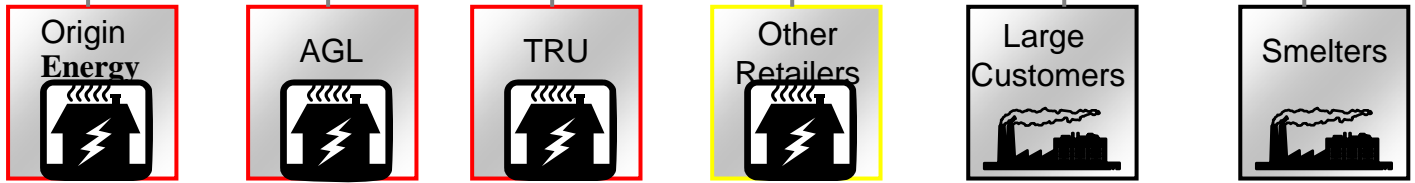
## Generation



## Transmission and Wholesale Market

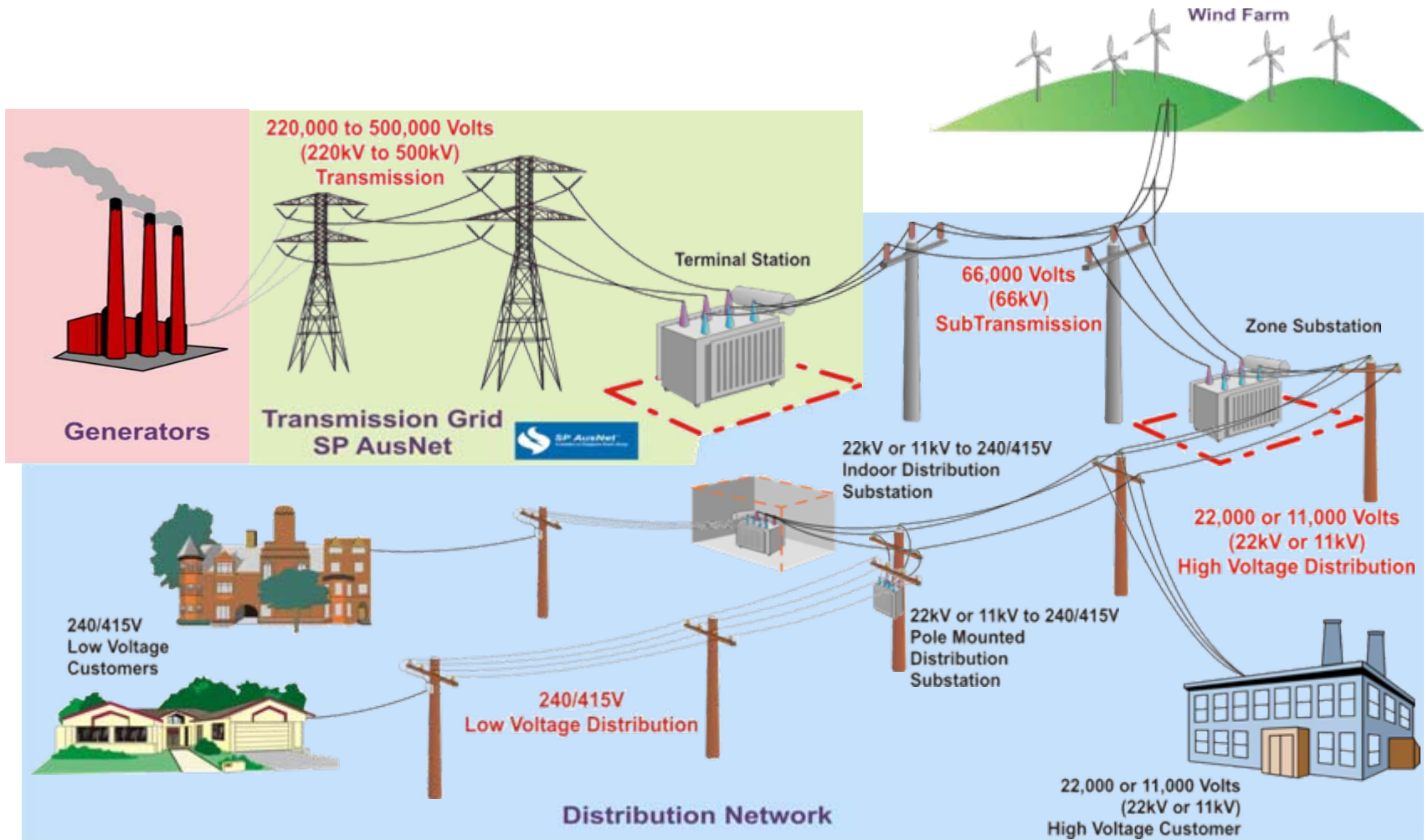


**Distribution Sector**

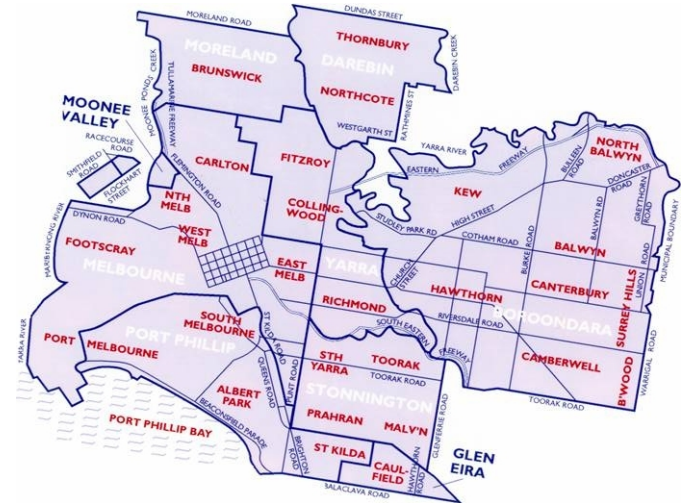


**Retail Sector**

# How electricity is delivered



# Network profiles



## Powercor Network Profile

Coverage Area	150,000 sq. km
Customer Density	4.5 per sq. km
Distribution Lines	82,550 km
% Underground	5%
2007 Distribution	10,299 GWh
Network availability	99.97%
2007 Reliability (SAIDI)	161.17 minutes
Total Customers	675,038

## CitiPower Network Profile

Coverage Area	157 sq. km
Customer Density	1906 per sq. km
Distribution Lines	4,050 km
% Underground	47%
2007 Distribution	6,079 GWh
Network availability	99.99%
2007 Reliability (SAIDI)	40.33 minutes
Total Customers	299,342

**Total Employees 1700**

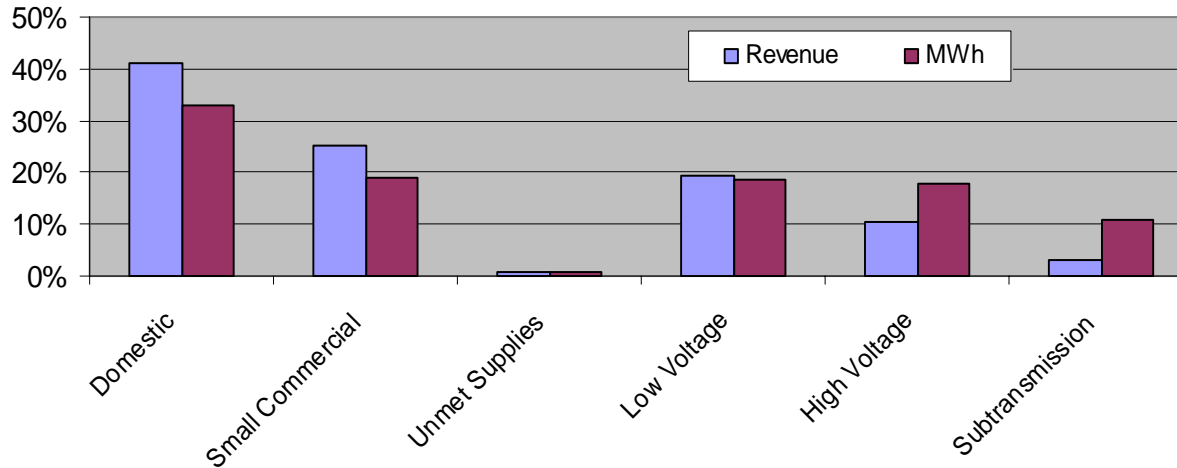
# Business strengths

- Natural monopolies
- Regulatory certainty until end 2010
- Low operational risk
- Transparent / Stable regulatory environment
- Strong consumption growth
- Diverse customer and revenue base
- IT Architecture
- Stable Industrial Relations situation
- Strong Health & Safety Performance
- Management reputation and competence
- Strong governance focus

# Performance 2007

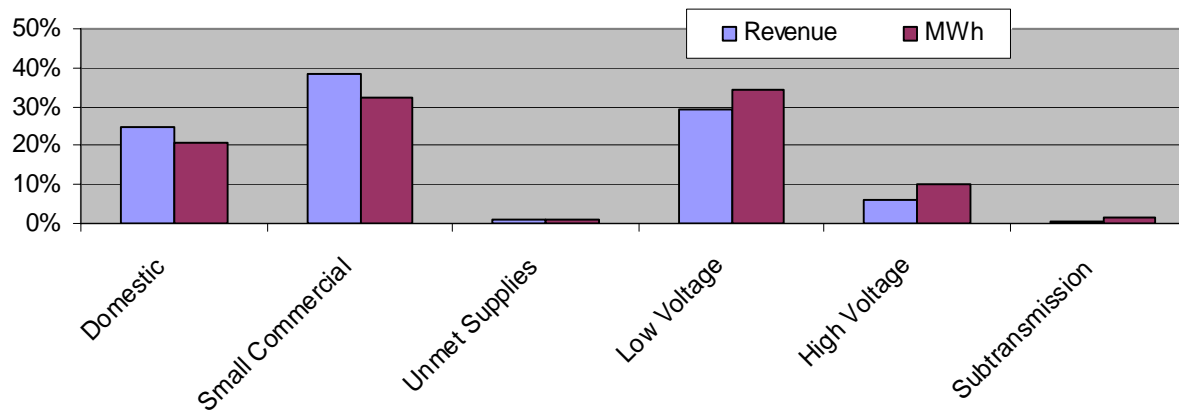
# Network revenue profile

**Powercor 2007 Energy & Revenue**



- 65% of CHEDHA Holdings Revenue is generated from the Domestic and Small Commercial segments

**CitiPower 2007 Energy & Revenue**



- 23% of CHEDHA Holdings Revenue is sourced from Large Low Voltage customers being large industrial customers

# 2007 Income statement

CHEDHA Holdings Pty Limited (Consolidated)	<b>2007</b> A\$'000	2006 A\$'000
<b>Revenue from continuing operations</b>	<b>974,964</b>	888,718
<i>Other income</i>	<b>(2,499)</b>	5,432
<i>Expense from ordinary activities</i>	<b>(551,646)</b>	(518,611)
<i>Finance costs</i>	<b>(347,118)</b>	(350,079)
<b>Profit before income tax</b>	<b>25,460</b>	25,460
<i>Income tax benefit</i>	<b>(19,550)</b>	12,349
<i>Profit from continuing operations</i>	<b>54,151</b>	37,809
<b>Profit attributable to members of the parent entity</b>	<b>54,151</b>	37,809

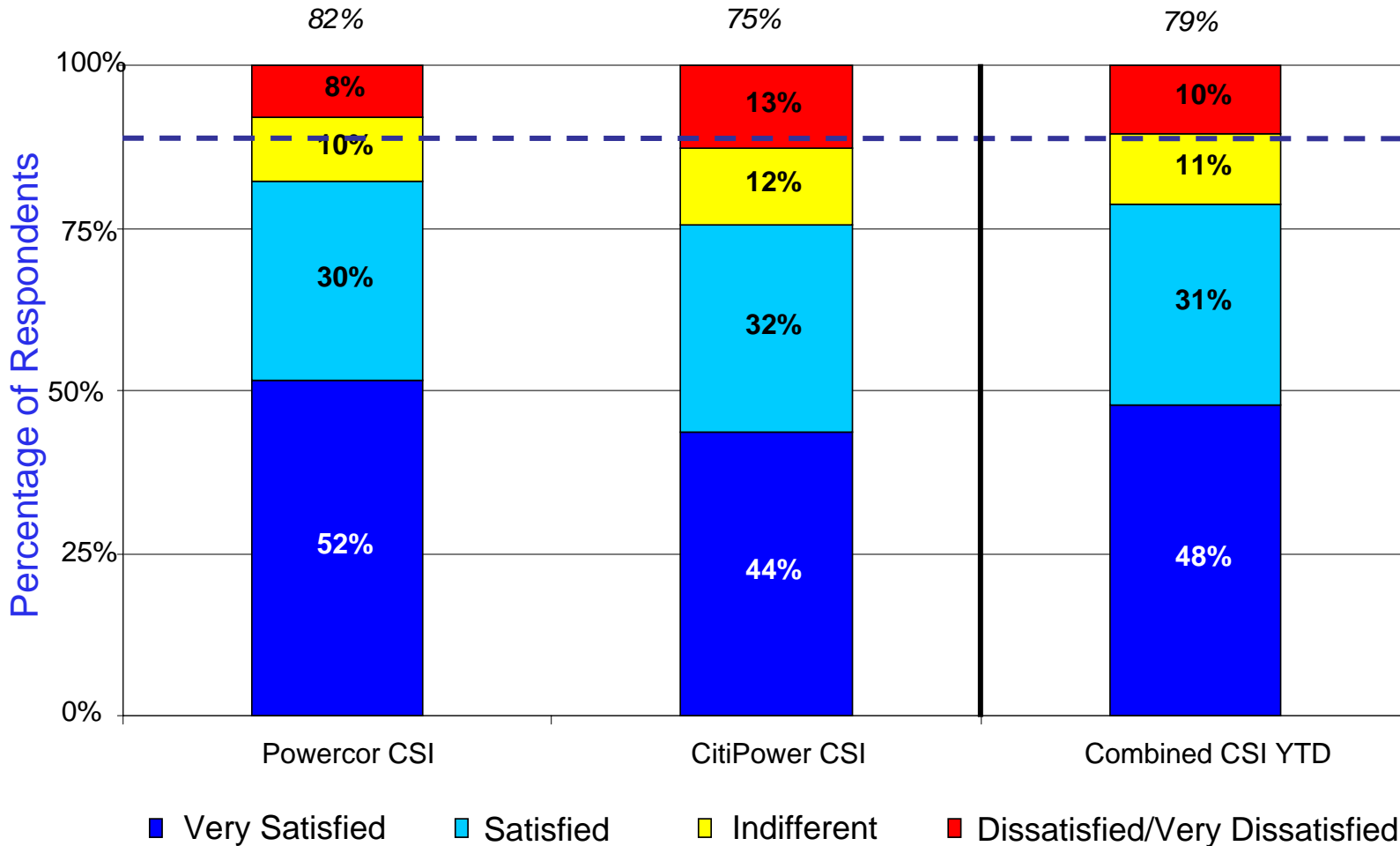
# 2007 Balance Sheet

CHEDHA Holdings Pty Limited (Consolidated)	2007 A\$'000	2006 A\$'000
<b>Assets</b>		
<i>Total Current Assets</i>	<b>284,539</b>	255,951
<i>Total Non-Current Assets</i>	<b>5,025,014</b>	4,798,377
<b>Total Assets</b>	<b>5,309,553</b>	5,054,328
<b>Liabilities</b>		
<i>Total Current Liabilities</i>	<b>889,434</b>	931,477
<i>Total Non-current Liabilities</i>	<b>3,687,354</b>	3,483,257
<b>Total Liabilities</b>	<b>4,576,788</b>	4,414,734
<b>Net Assets</b>	<b>732,765</b>	639,594
<b>Equity</b>		
<i>Issued Capital</i>	<b>279,499</b>	279,499
<i>Reserves</i>	<b>(388,342)</b>	(419,869)
<i>Retained Earnings</i>	<b>841,608</b>	779,964
<b>Total Equity</b>	<b>732,765</b>	639,594

# 2007 Cash Flows

CHEDHA Holdings Pty Limited (Consolidated)	<b>2007</b> <b>\$'000</b>	2006 \$'000
<b>Net cash provided by operating activities</b>	<b>144,404</b>	165,903
<b>Net cash (used in) investing activities</b>	<b>(245,605)</b>	(253,912)
<b>Net cash (used in) / provided by financing activities</b>	<b>123,771</b>	(114,138)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>22,570</b>	(202,147)
<i>Cash and cash equivalents at the beginning of the financial year</i>	<b>93,614</b>	295,761
<b>Cash and cash equivalents at end of year</b>	<b>116,184</b>	93,614

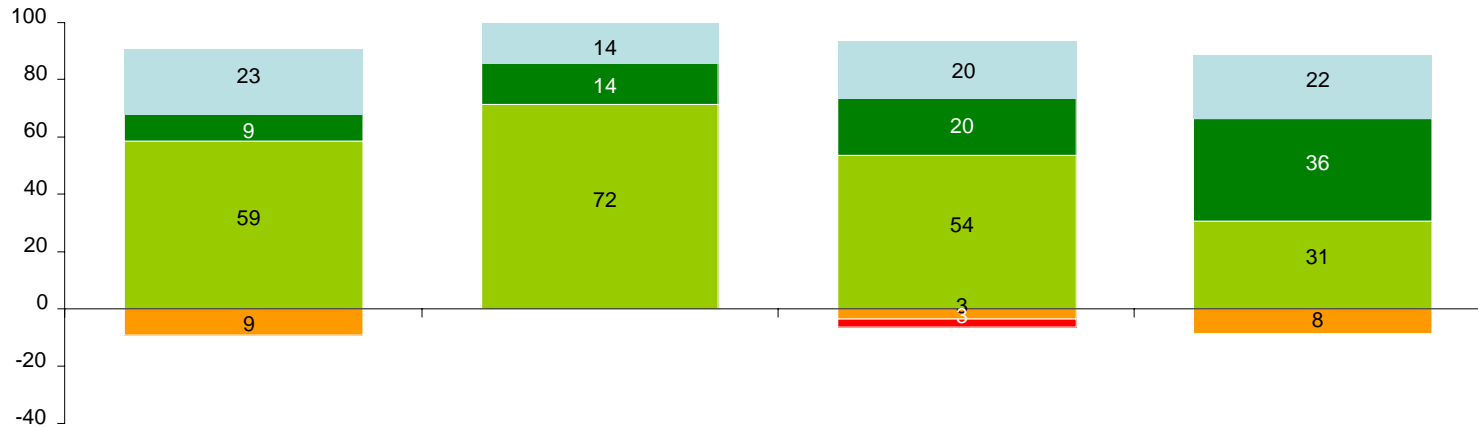
# Customer Satisfaction 2007



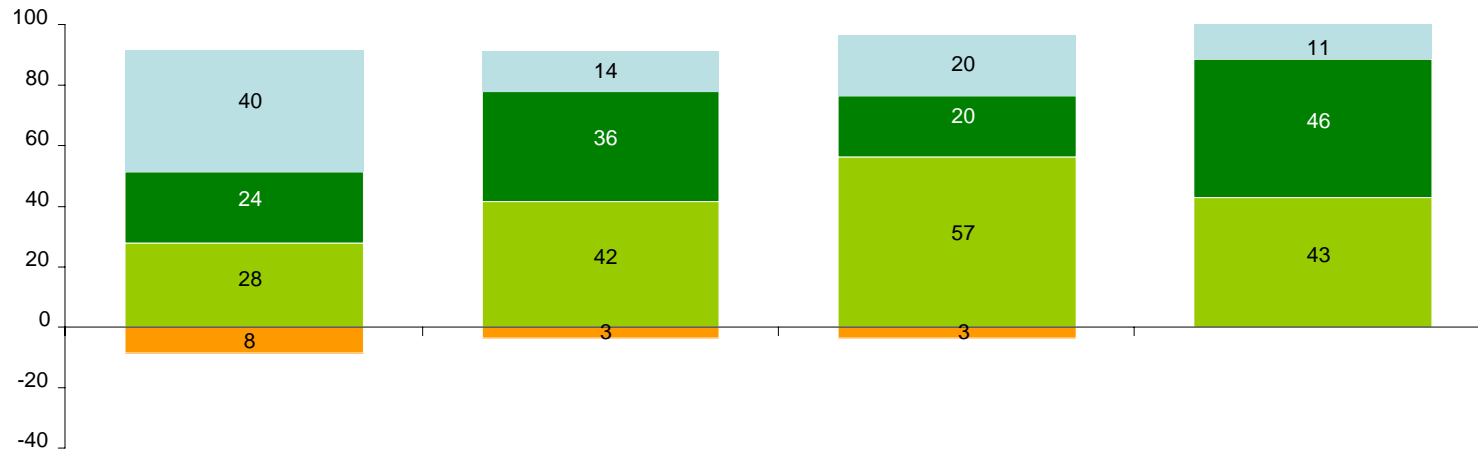
The overall combined target for the proportion of very satisfied and satisfied customers is 80%

# Major customer satisfaction 2007

## CitiPower



## Powercor



2004

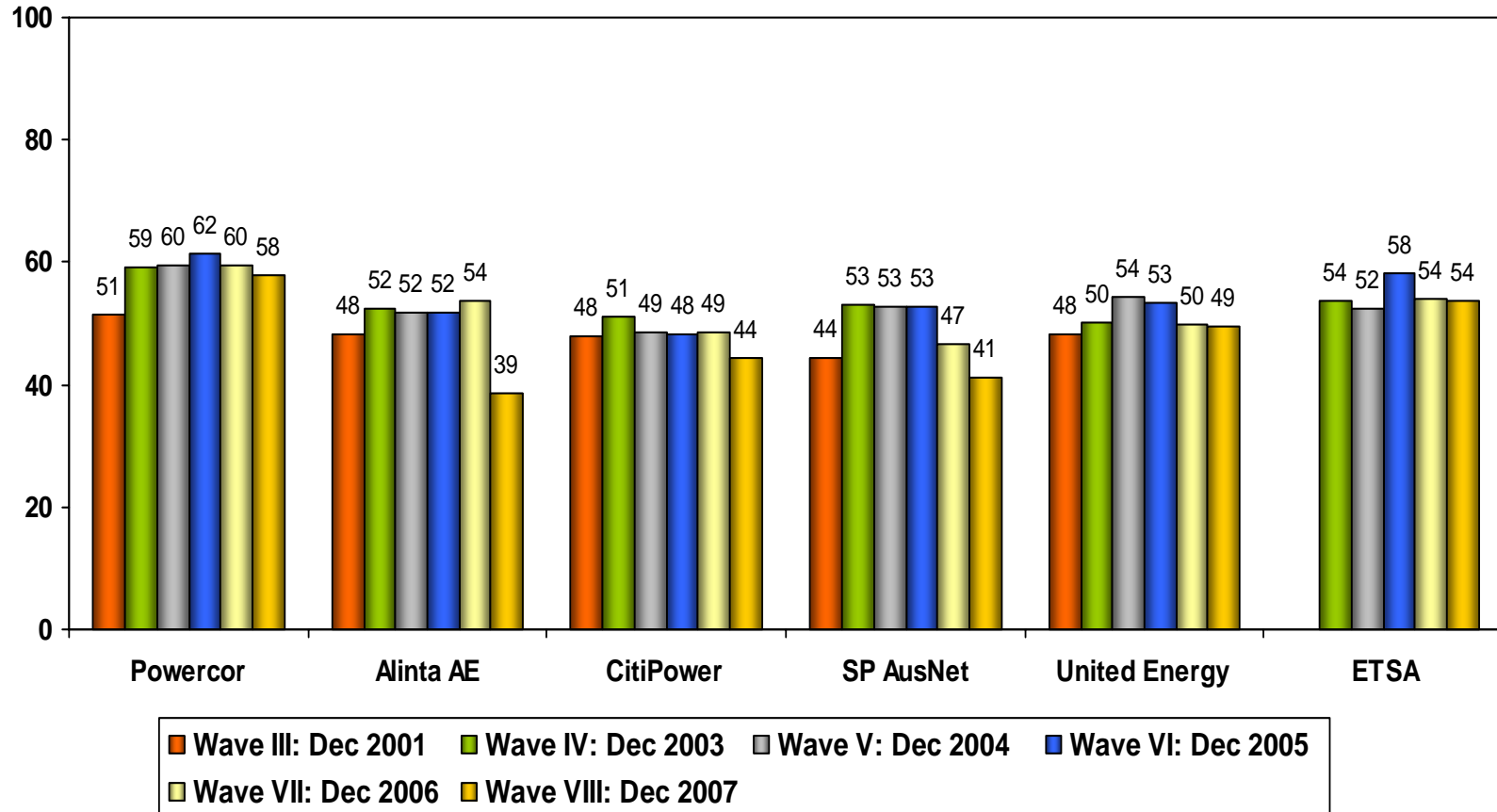
2005

2006

2007

# Community reputation Index

## 2007 results



- Powercor's index score continues to be the highest of all DBs
- CitiPower's ranking has improved 2 places to 4th

# Performance 2008

# Performance YTD 2008

- **Solid financial and operational performance YTD**
- **Financial**
  - Favourable weather & economic conditions have contributed to solid consumption; full year forecast to be revised following outcomes through winter.
  - Customer numbers 2% higher than last year
  - Continued focus on productivity and efficiency gains
  - Net network capital expenditure slightly below target on a year to date basis mainly due to delays with the South Melbourne (SM) Zone Substation project.
- **Operational**
  - Abnormal events have contributed to a decrease in supply reliability performance for 2008
  - However, underlying supply reliability remains strong and the business is on track to meet/outperform regulatory targets
  - Call centre grade of service on track to meet regulatory target

# Major activities 2008

- Powercor Network Services established as a separate company within the Group
- AMI Rollout project planning progressing well
- Unregulated business growth ahead of targets
  - New business for Powercor Network Services; Powercor IT
- Management services to be provided to CK/HE Wellington network
- Strong Network and Management performance during April windstorms

# Growth

# Business development

## Our Approach

- Build on existing skill base to establish new business or capability
- Focus on related and ancillary activities
- Rely on established networking and referrals
- Provide support to Spark/CKI/HEH activities
- Small dedicated groups with reliance on internal business expertise
- Linked to innovation program for both internal & external opportunities

# Growth opportunities

**Achieve profitable revenue growth in unregulated markets leveraging core business skills and capacities**

- Construction and maintenance services
- Private Networks Network Services Growth - External Contracts
- Advanced Interval Metering
- Information Technology

# Network management

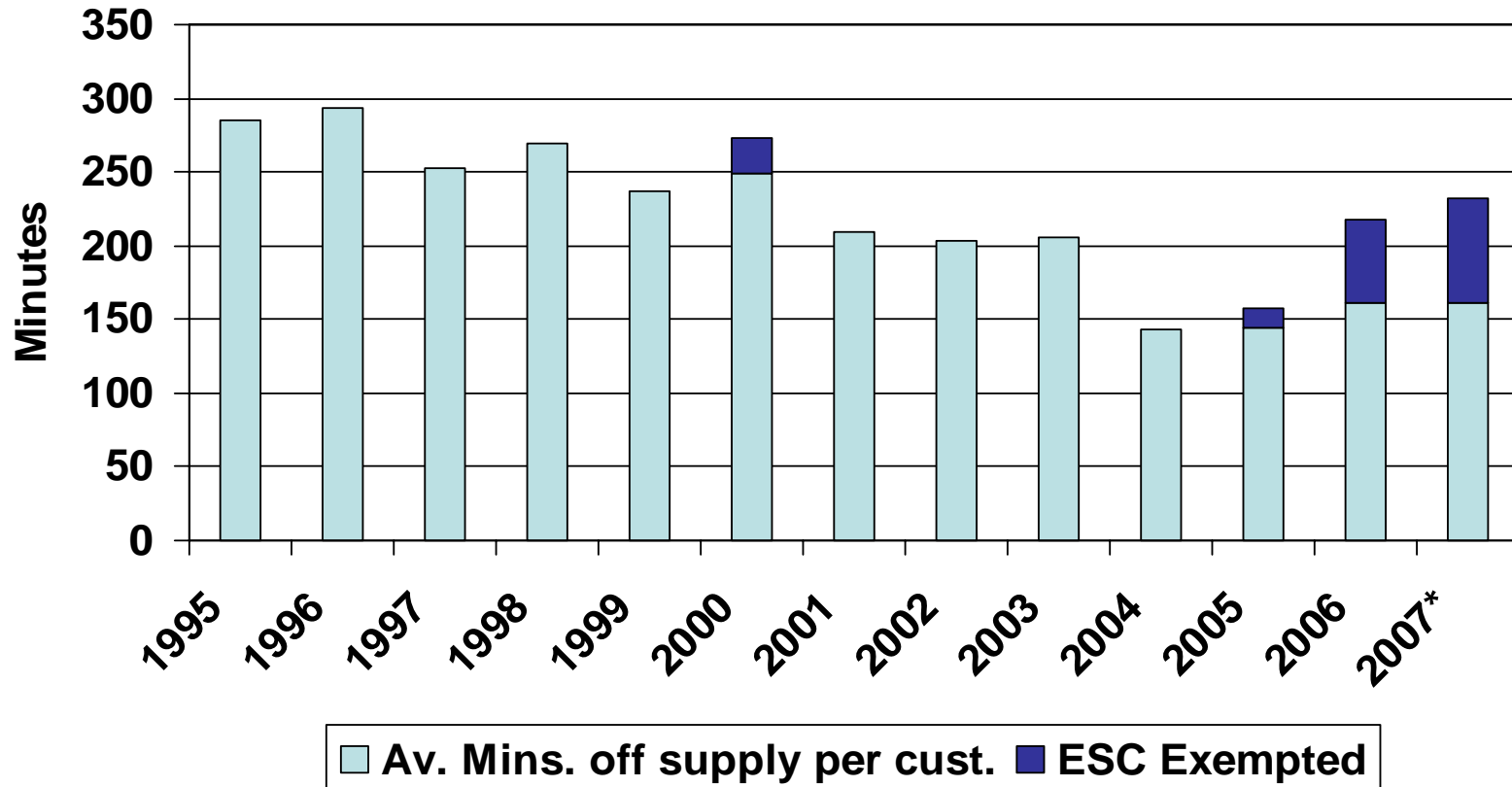
# Powercor Network Targets and Performance 2006-2007

	2006 Reliability Target	2006 Actual Performance	2007 Actual Performance
Total minutes off supply (SAIDI)	201.9	161.5	161.2
Unplanned minutes off supply	163.4	142.9	138.9
Planned minutes off supply	38.5	18.7	22.3
Unplanned interruption frequency (SAIFI)	2.18	2.04	1.72
Unplanned interruption duration (CAIDI)	75.0	69.9	80.9
Momentary interruption frequency (MAIFI)	4.26	3.20	3.55

Notes: 1. 2006 Reliability Targets and Actual Performance as published by ESC in the 2006 Comparative Performance Report  
2007 Actual Performance statistics as per data provided to ESC

2. Actual Performance statistics are after the effect of Exclusions granted by ESC

# Powercor Supply Reliability Improvement 1995-2007



\* Final 2007 ESC figures are yet to be published.

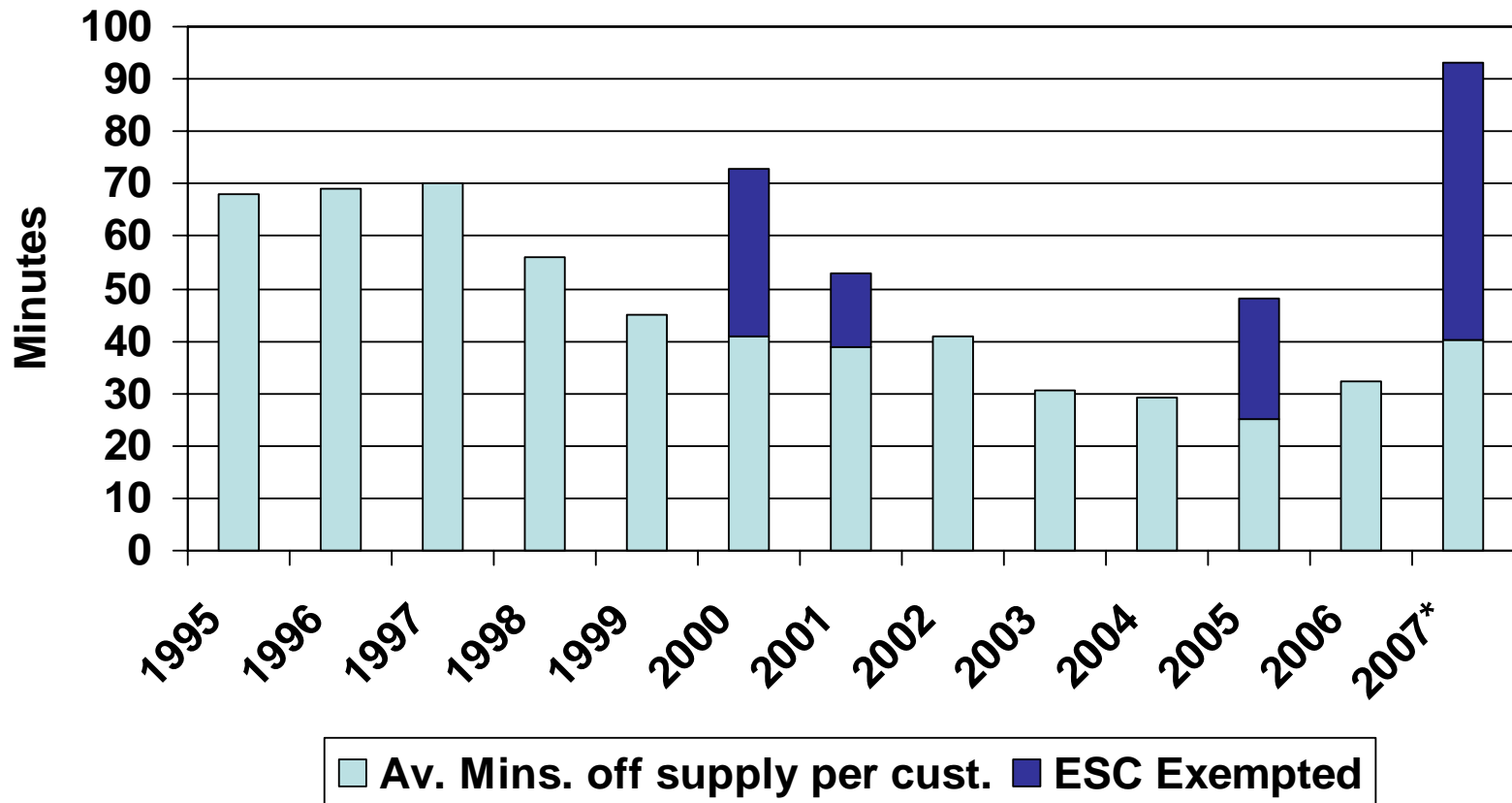
# CitiPower Network Targets and Performance 2006-2007

	2006 Reliability Target	2006 Actual Performance	2007 Actual Performance
Total minutes off supply (SAIDI)	40.6	32.2	40.33
Unplanned minutes off supply	31.4	27.0	36.11
Planned minutes off supply	9.2	5.1	4.22
Unplanned interruption frequency (SAIFI)	0.71	0.55	0.567
Unplanned interruption duration (CAIDI)	44.5	49.3	63.64
Momentary interruption frequency (MAIFI)	0.25	0.14	0.142

Notes: 1. 2006 Reliability Targets and Actual Performance as published by ESC in the 2006 Comparative Performance Report  
2007 Actual Performance statistics as per data provided to ESC

2. Actual Performance statistics are after the effect of Exclusions granted by ESC

# CitiPower Supply Reliability Improvement 1995-2007



\* Final 2007 ESC figures are yet to be published.

# Summary

- Strong financial and operational performance by businesses in 2007
- Businesses performing to plan in 2008
- High quality assets, led by experienced management team
- Most reliable urban and rural electricity distribution businesses in Australia
- Regulatory certainty through to end 2010
- Continued focus on organic growth opportunities



# ETSA Utilities - Overview, Performance and Directions

## David Syme, Acting CEO

*Delivering Energy to South Australia*

115

# ETSA Utilities Board of Directors



Peter Tulloch

CKI (Chairman)

H L Kam

CKI

C T Wan

HKE

K S Tso

HKE

Bob Stobbe

Spark Infrastructure

Andrew Hunter

Spark Infrastructure

John Dorrian

Spark Infrastructure

Cheryl Bart

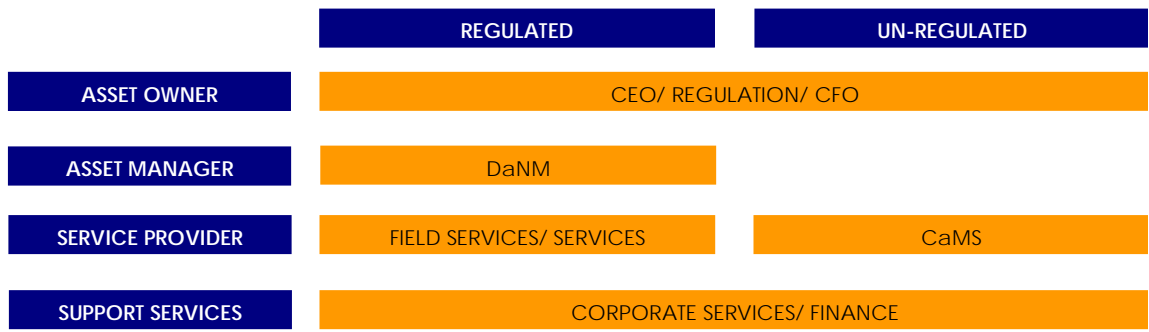
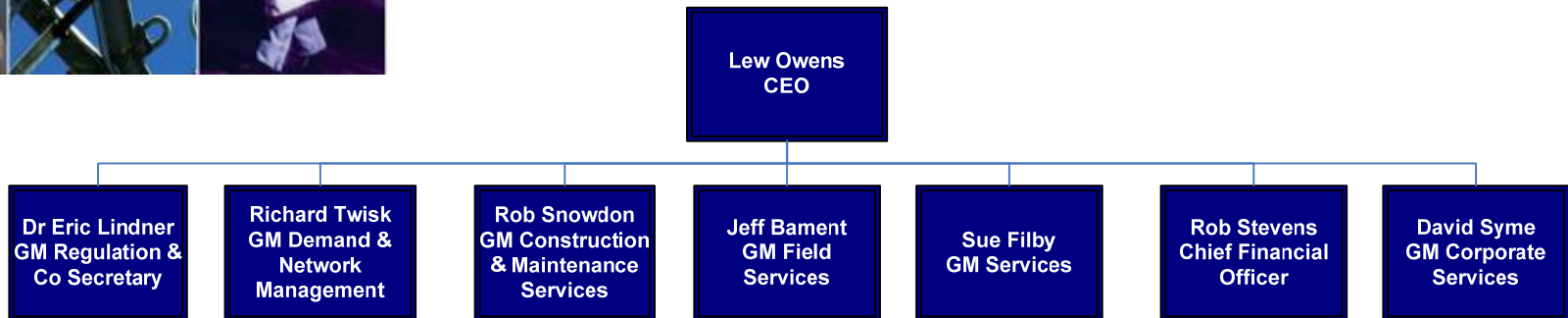
Spark Infrastructure

Lew Owens

ETSA Utilities

Key decisions require 75 % majority

# Organisation



- Services department focus on customer operations
- Field Services department focus on regulated business
- CaMS department focus on non-regulated opportunities
- Demand management capability embedded in network design and engineering

# South Australian Electricity Industry Structure & Participants



Generation



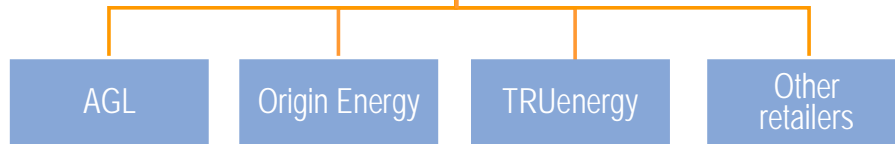
Transmission



Distribution



Retail





# Strategic Overview



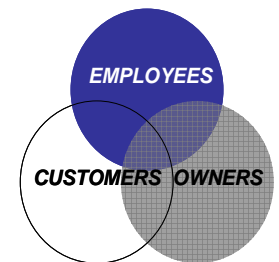
## Our Strategic Intent

- To be a financially successful and respected provider of electricity distribution and associated services

## KPIs to track and guide our success

- Generating financial returns and growth for owners
- Delivering value to customers and benefits to the community
- Ensuring an engaged, skilled and safe workforce

## Robust strategic plan and governance





# Performance 2007

# 2007 Income Statement



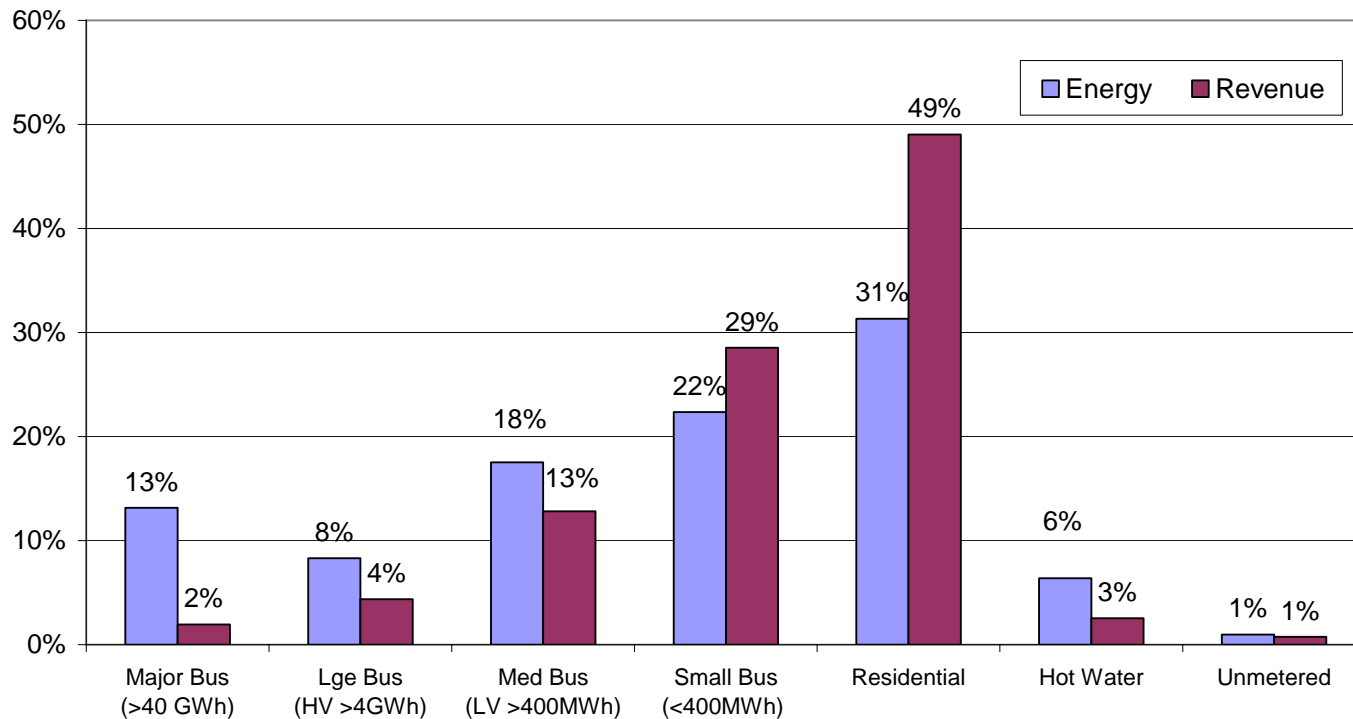
<b>ETSA Utilities Partnership (Consolidated)</b>	<b>2007 A\$'000</b>	<b>2006 A\$'000</b>
<b>Revenue from continuing operations</b>	<b>914,169</b>	801,427
<i>Other income (expenses)</i>	<b>(692)</b>	9,018
<i>Expense from ordinary activities</i>	<b>(534,578)</b>	(475,139)
<i>Finance costs</i>	<b>(222,918)</b>	(193,034)
<b>Profit before income tax</b>	<b>155,981</b>	142,272
<i>Income tax expense for Subsidiary Companies</i>	<b>(2,727)</b>	(5,378)
<b>Profit for the Period</b>	<b>153,254</b>	136,894

# 2007 Balance Sheet

<b>ETSA Utilities Partnership (Consolidated)</b>	<b>2007 A\$'000</b>	<b>2006 A\$'000</b>
<b>Assets</b>		
<i>Total Current Assets</i>	<b>282,842</b>	257,392
<i>Total Non-Current Assets</i>	<b>4,230,477</b>	4,103,192
<b>Total Assets</b>	<b>4,513,319</b>	4,360,584
<b>Liabilities</b>		
<i>Total Current Liabilities</i>	<b>347,242</b>	386,326
<i>Total Non-current Liabilities</i>	<b>2,909,899</b>	2,858,481
<b>Total Liabilities</b>	<b>3,257,141</b>	3,244,807
<b>Net Assets</b>	<b>1,256,178</b>	1,115,777
<b>Equity</b>		
<i>Partners Capital Accounts</i>	<b>623,300</b>	623,300
<i>Partners Current Accounts</i>	<b>589,021</b>	485,159
<i>Reserves</i>	<b>43,857</b>	7,318
<b>Total Equity</b>	<b>1,256,178</b>	1,115,777

# Customer Energy and Revenue

Distribution of ETSA Utilities Sales By Energy (GWh) and Revenue (\$'s)  
2007

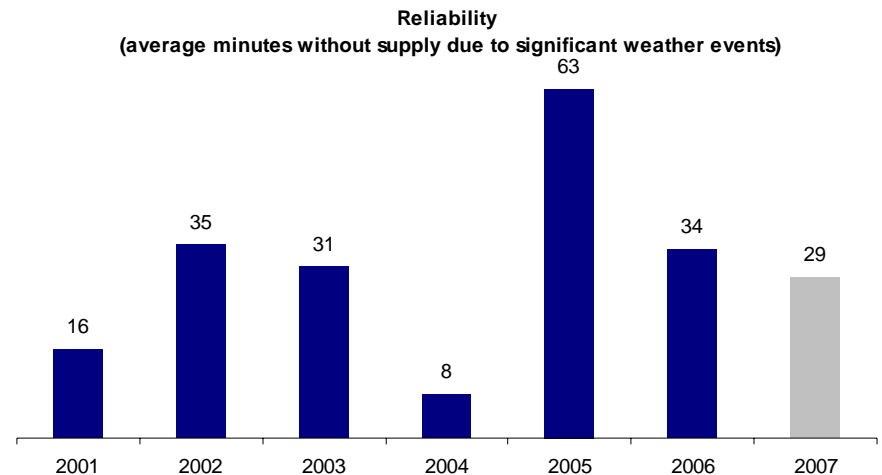
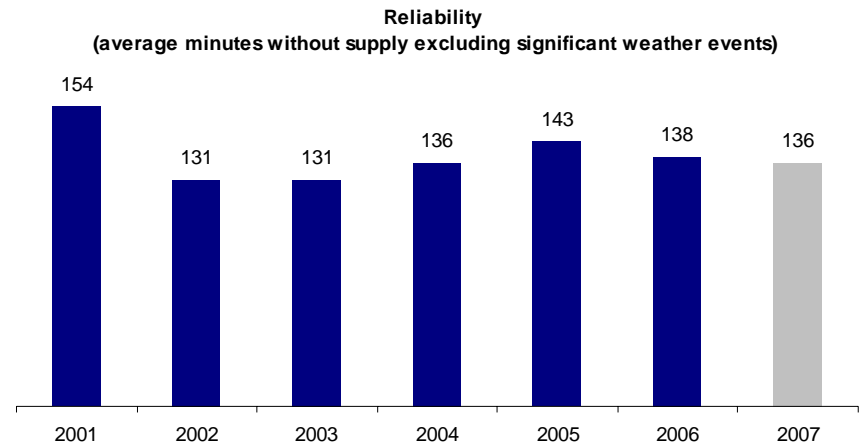


- Revenue is concentrated in the high yield residential and small business sectors
- Major and large business have a lower yield, so do not impact as significantly on revenue 40

# Reliability Performance



- Steady underlying performance
- Following severe weather events in 2005 and 2006, implemented comprehensive improvements in supply restoration
- Strong SI Scheme and GSL performance in 2007
- \$160 million works program increased by additional \$26 million in preparation for 2007/08 summer



# 2007 Business Performance Highlights



- Record network investment of \$186 million
- Record EU non-regulated income - \$146.9 million
- Remote construction work for Oxiana's Prominent Hill copper-gold mine development continued
- \$17.5 million South East Snuggery 132 kV transmission line construction for ElectraNet
- Achieved zero lost time injuries for 2007
- Record intake of 37 apprentices
- Largest graduate recruitment drive in 10 years



# Performance 2008



# 2008 Performance YTD

*Solid financial and operational performance...*

## **Financial**

- Strong volume growth in first four months of 2008
- Unregulated business activities continue to be strong
- New pricing arrangements for excluded services positive to business
- Preparations for 2010 Price Reset well underway

## **Operational**

- SAIDI 3 minutes below target
- Positive results for service KPIs
- Record peak demand of 2,847 MW on 17 March
- Improved customer satisfaction recorded in Customer Survey
- Improved reputation survey result
- Safety program on track
- Workplace Agreement finalised
- New computer systems bedded down (OMS, GIS, REX & Click)



# Focus for 2008

- 2010 Price Reset
- 10 Year Financial Planning
- Workforce planning (retirements & recruitments)
- Managing major network contingencies
- Demand Management & interval meters assessment
- Business productivity improvements



# 2010 Price Reset

- 2010 Price Reset team established
- Key objectives
  - Revenue
  - Service Standards
  - Reputation
  - Long term business value
- Regulatory framework from AER by mid 2008
- EU's reset submission framework by December 2008
- WACC determined - March 2009
- Submission due - May 2009
- Draft decision November 2009



# Unregulated Business Growth



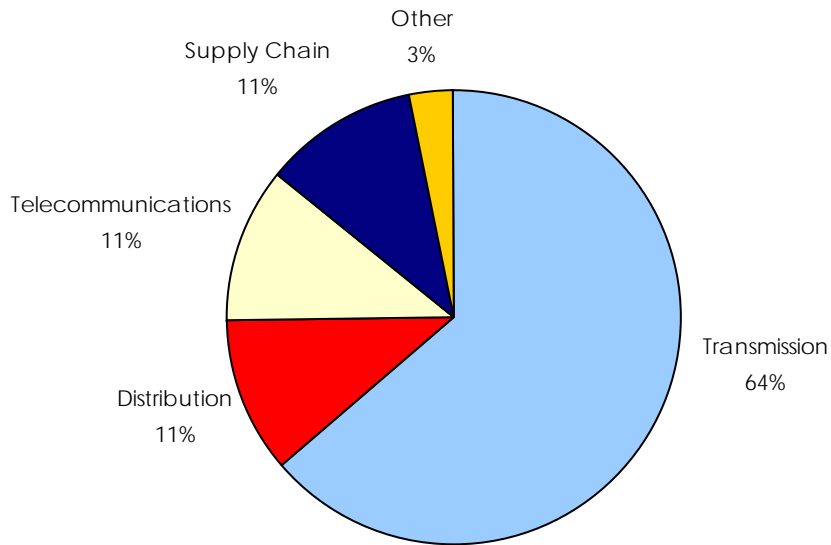
# Construction and Maintenance Services

- CaMS established as stand-alone business
- Focus on growing unregulated revenues
- CaMS revenue of \$136.7 million in 2007 and positive start to 2008
- Major contracts with ElectraNet
- Oxiana Prominent Hill contract continues
- Recently opened base in Geelong, Victoria

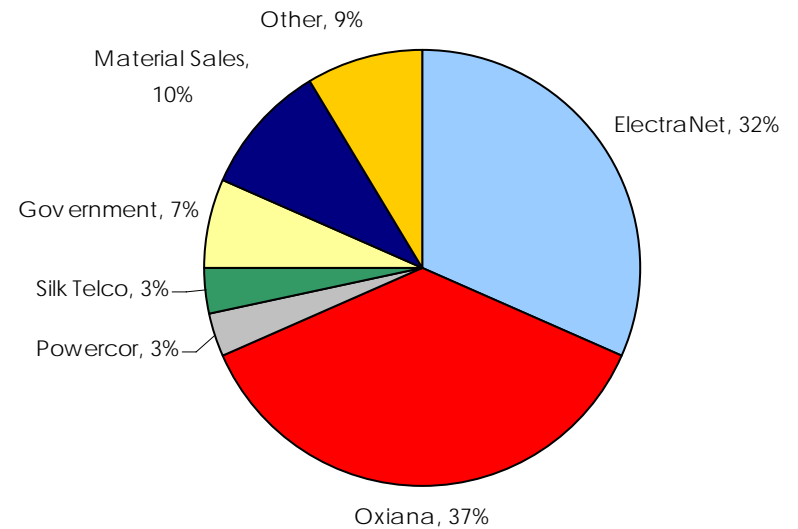
# CaMS Revenue Segments



**Line of Business**  
2007 Actual



**Customer Revenue Split**  
2007 Actual



# Major Customer Projects 2008/09



Project	Customer
APY Lands 33kV distribution line construction	SA Govt
132kV Exit from Olympic Dam Substation	Oxiana
Hardened Network Army at Edinburgh	Defence
Point Boston development infrastructure	Developer
Techport, Outer Harbour capacity upgrade	Defence
Adelaide Desalination Plant	SA Govt
Water Pumping (various)	SA Govt
City West Substation	Regulator
Continued opex and capex on transmission system	ElectraNet



# Summary

- Strong financial and operational performance in 2007, and positive start to 2008
- Delivered a significantly increased volume of work (regulated and unregulated) without a Lost Time Injury in 2007
- Quality assets, led by experienced management team
- Regulatory certainty through to end 2010
- Continued focus on unregulated growth opportunities
- Significant focus on preparation for next regulatory period



FOR MORE INFORMATION PLEASE CONTACT:

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Spark Infrastructure Group

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[mario.falchoni@sparkinfrastructure.com](mailto:mario.falchoni@sparkinfrastructure.com)