

Electricity Transmission Revised Proposal

2008/09 – 2013/14

Appendix K

**Presentation on Merger of
Transmission and Distribution
Businesses**

SP AusNet

Opex

Merger/Restructure Effects



SP AusNetTM
A member of Singapore Power Group



Merger Timeline



| | |
|-------------------|---|
| July 2004 | Singapore Power acquired electricity and gas distribution business and Merchant Energy Business (MEB) from TXU Corp |
| May - August 2005 | Singapore Power divested MEB |
| June 2005 | Launch of SP AusNet brand |
| October 2005 | Management Co/SP AusNet Structure established |
| December 2005 | IPO of SP AusNet with new structure Management Co fees begin |

Opex Merger Effects 2003/04 to 2006/07



| REAL \$2007-08 | Stand Alone Transmission Business | | In Transition | | Merged Entitiy |
|---|---|---------------|---------------|---------------|-------------------|
| | 2004/5 | | 2005/6 | | 2006/7 |
| Rountine maintenance - Recurrent | | | | | |
| Maintenance | 19,240 | -1,456 | 17,784 | -428 | 17,356 |
| System Operation | 3,869 | -367 | 3,503 | -954 | 2,549 |
| Health & Safety | 872 | 9 | 881 | -305 | 576 |
| Taxes/Leases | 3,719 | 485 | 4,204 | 230 | 4,434 |
| Insurance | 2,970 | -140 | 2,830 | 52 | 2,882 |
| Support SR | 3,808 | 2,258 | 6,066 | -1,343 | 4,723 |
| Sub Total | 34,478 | 788 | 35,267 | -2,748 | 32,519 |
| Asset works - Non Recurrent | | | | | |
| <i>Total converted</i> | 11,600 | -3,512 | 8,087 | 316 | 8,403 |
| Support SNR | 508 | 529 | 1,037 | 324 | 1,361 |
| Sub Total | 12,107 | -2,983 | 9,124 | 640 | 9,765 |
| Corporate costs - Recurrent | | | | | |
| Finance | 4,879 | -219 | 4,660 | -1,764 | 2,896 |
| HR | 1,683 | 531 | 2,214 | -1,538 | 676 |
| IT | 2,695 | 1,242 | 3,937 | -78 | 3,859 |
| Other Corporate | 4,668 | 740 | 5,408 | -2,275 | 3,133 |
| Management Fee | 1,548 | 1,525 | 3,072 | 4,326 | 7,398 |
| Sub Total | 15,473 | 3,818 | 19,291 | -1,329 | 17,962 |
| Total Opex (Ex-Self Insurance) | 62,059 | 1,624 | 63,682 | -3,436 | 60,246 |
| Self Insurance | 821 | | 821 | | 821 |
| Total Opex (Inc-Self Insurance) | 62,880 | 1,624 | 64,503 | -3,436 | 61,067 |

Opex Merger Effects – Maintenance



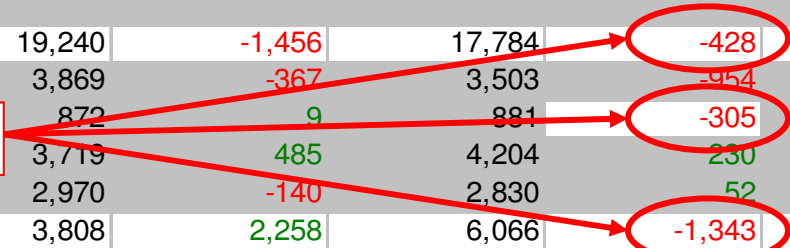
| REAL \$2007-08 | Stand Alone | | In Transition | | Merged |
|---|-----------------------|---------------|---------------|---------------|---------------|
| | Transmission Business | | | | Entitiy |
| | 2004/5 | | 2005/6 | | 2006/7 |
| Routine maintenance - Recurrent | | | | | |
| Maintenance | 19,240 | -1,456 | 17,784 | -428 | 17,356 |
| System Operation | 3,869 | -367 | 3,503 | -954 | 2,549 |
| Establishment of Network Services Group | 872 | 9 | 881 | -305 | 576 |
| Insurance | 3,719 | 485 | 4,204 | 230 | 4,434 |
| Support SR | 2,970 | -140 | 2,830 | 52 | 2,882 |
| Support SR | 3,808 | 2,258 | 6,066 | -1,343 | 4,723 |
| Sub Total | 34,478 | 788 | 35,267 | -2,748 | 32,519 |
| Asset works - Non Recurrent | | | | | |
| Total converted | 11,600 | -3,512 | 8,087 | 316 | 8,403 |
| Support SNR | 508 | 529 | 1,037 | 324 | 1,361 |
| Sub Total | 12,107 | -2,983 | 9,124 | 640 | 9,765 |
| Corporate costs - Recurrent | | | | | |
| Finance | 4,879 | -219 | 4,660 | -1,764 | 2,896 |
| HR | 1,683 | 531 | 2,214 | -1,538 | 676 |
| IT | 2,695 | 1,242 | 3,937 | -78 | 3,859 |
| Other Corporate | 4,668 | 740 | 5,408 | -2,275 | 3,133 |
| Management Fee | 1,548 | 1,525 | 3,072 | 4,326 | 7,398 |
| Sub Total | 15,473 | 3,818 | 19,291 | -1,329 | 17,962 |
| Total Opex (Ex-Self Insurance) | 62,059 | 1,624 | 63,682 | -3,436 | 60,246 |
| Self Insurance | 821 | | 821 | | 821 |
| Total Opex (Inc-Self Insurance) | 62,880 | 1,624 | 64,503 | -3,436 | 61,067 |

Opex Merger Effects – Maintenance



| REAL \$2007-08 | Stand Alone Transmission Business | | In Transition | | Merged Entitiy |
|--|---|---------------|---------------|---------------|-------------------|
| | 2004/5 | | 2005/6 | | 2006/7 |
| Routine maintenance - Recurrent | | | | | |
| Maintenance | 19,240 | -1,456 | 17,784 | -428 | 17,356 |
| System Operation | 3,869 | -367 | 3,503 | -954 | 2,549 |
| Insurance | 872 | 9 | 881 | -305 | 576 |
| Support SR | 3,719 | 485 | 4,204 | 230 | 4,434 |
| Support SR | 2,970 | -140 | 2,830 | 52 | 2,882 |
| Support SR | 3,808 | 2,258 | 6,066 | -1,343 | 4,723 |
| Sub Total | 34,478 | 788 | 35,267 | -2,748 | 32,519 |
| Asset works - Non Recurrent | | | | | |
| Total converted | 11,600 | -3,512 | 8,087 | 316 | 8,403 |
| Support SNR | 508 | 529 | 1,037 | 324 | 1,361 |
| Sub Total | 12,107 | -2,983 | 9,124 | 640 | 9,765 |
| Corporate costs - Recurrent | | | | | |
| Finance | 4,879 | -219 | 4,660 | -1,764 | 2,896 |
| HR | 1,683 | 531 | 2,214 | -1,538 | 676 |
| IT | 2,695 | 1,242 | 3,937 | -78 | 3,859 |
| Other Corporate | 4,668 | 740 | 5,408 | -2,275 | 3,133 |
| Management Fee | 1,548 | 1,525 | 3,072 | 4,326 | 7,398 |
| Sub Total | 15,473 | 3,818 | 19,291 | -1,329 | 17,962 |
| Total Opex (Ex-Self Insurance) | 62,059 | 1,624 | 63,682 | -3,436 | 60,246 |
| Self Insurance | 821 | | 821 | | 821 |
| Total Opex (Inc-Self Insurance) | 62,880 | 1,624 | 64,503 | -3,436 | 61,067 |

Merger benefits from NSG



Opex Merger Effects - Operations



| REAL \$2007-08 | Stand Alone Transmission Business | | In Transition | | Merged Entitiy |
|---|---|---------------|---------------|---------------|-------------------|
| | 2004/5 | | 2005/6 | | 2006/7 |
| Rountine maintenance - Recurrent | | | | | |
| Maintenance | 19,240 | -1,456 | 17,784 | -428 | 17,356 |
| System Operation | 3,869 | -367 | 3,503 | -954 | 2,549 |
| Health & Safety | 872 | 0 | 881 | 305 | 576 |
| Taxes/Leases | 3,719 | 485 | 4,204 | 230 | 4,434 |
| Insurance | 2,970 | -140 | 2,830 | 52 | 2,882 |
| Support SP | 2,808 | 2,258 | 6,066 | -1,343 | 4,723 |
| Merger of transmission and Distribution Operations | | 788 | 35,267 | -2,748 | 32,519 |
| Asset works - Non Recurrent | | | | | |
| <i>Total converted</i> | 11,600 | -3,512 | 8,087 | 316 | 8,403 |
| Support SNR | 508 | 529 | 1,037 | 324 | 1,361 |
| Sub Total | 12,107 | -2,983 | 9,124 | 640 | 9,765 |
| Corporate costs - Recurrent | | | | | |
| Finance | 4,879 | -219 | 4,660 | -1,764 | 2,896 |
| HR | 1,683 | 531 | 2,214 | -1,538 | 676 |
| IT | 2,695 | 1,242 | 3,937 | -78 | 3,859 |
| Other Corporate | 4,668 | 740 | 5,408 | -2,275 | 3,133 |
| Management Fee | 1,548 | 1,525 | 3,072 | 4,326 | 7,398 |
| Sub Total | 15,473 | 3,818 | 19,291 | -1,329 | 17,962 |
| Total Opex (Ex-Self Insurance) | 62,059 | 1,624 | 63,682 | -3,436 | 60,246 |
| Self Insurance | 821 | | 821 | | 821 |
| Total Opex (Inc-Self Insurance) | 62,880 | 1,624 | 64,503 | -3,436 | 61,067 |

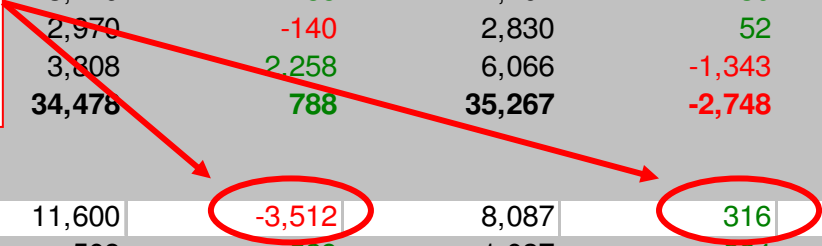
Opex Merger Effects – Asset Works



| REAL \$2007-08 | Stand Alone Transmission Business | | In Transition | | Merged Entitiy |
|---|---|---------------|---------------|---------------|-------------------|
| | 2004/5 | | 2005/6 | | 2006/7 |
| Rountine maintenance - Recurrent | | | | | |
| Mainte | 19,240 | -1,456 | 17,784 | -428 | 17,356 |
| Syster | 3,869 | -367 | 3,503 | -954 | 2,549 |
| Health | 872 | 9 | 881 | -305 | 576 |
| Taxes/ | 3,719 | 485 | 4,204 | 230 | 4,434 |
| Insurar | 2,970 | -140 | 2,830 | 52 | 2,882 |
| Support | 3,808 | 2,258 | 6,066 | -1,343 | 4,723 |
| Sub T | 34,478 | 788 | 35,267 | -2,748 | 32,519 |
| Asset works - Non Recurrent | | | | | |
| <i>Total converted</i> | 11,600 | -3,512 | 8,087 | 316 | 8,403 |
| Support SNR | 508 | 529 | 1,037 | 324 | 1,361 |
| Sub Total | 12,107 | -2,983 | 9,124 | 640 | 9,765 |
| Corporate costs - Recurrent | | | | | |
| Finance | 4,879 | -219 | 4,660 | -1,764 | 2,896 |
| HR | 1,683 | 531 | 2,214 | -1,538 | 676 |
| IT | 2,695 | 1,242 | 3,937 | -78 | 3,859 |
| Other Corporate | 4,668 | 740 | 5,408 | -2,275 | 3,133 |
| Management Fee | 1,548 | 1,525 | 3,072 | 4,326 | 7,398 |
| Sub Total | 15,473 | 3,818 | 19,291 | -1,329 | 17,962 |
| Total Opex (Ex-Self Insurance) | 62,059 | 1,624 | 63,682 | -3,436 | 60,246 |
| Self Insurance | 821 | | 821 | | 821 |
| Total Opex (Inc-Self Insurance) | 62,880 | 1,624 | 64,503 | -3,436 | 61,067 |

Asset works profile driven by expenditure on individual projects

Nonetheless cost savings flow into these works

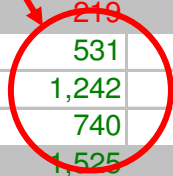


Opex Merger Effects - Corporate



| REAL \$2007-08 | Stand Alone | | In Transition | | Merged |
|---|-----------------------|---------------|---------------|---------------|---------------|
| | Transmission Business | | | | Entitiy |
| | 2004/5 | | 2005/6 | | 2006/7 |
| Rountine maintenance - Recurrent | | | | | |
| Maintenance | 19,240 | -1,456 | 17,784 | -428 | 17,356 |
| System Operation | 3,869 | -367 | 3,503 | -954 | 2,549 |
| IT | 872 | 9 | 881 | -305 | 576 |
| HR | 3,719 | 485 | 4,204 | 230 | 4,434 |
| Support SNR | 2,970 | -140 | 2,830 | 52 | 2,882 |
| Support SNR | 3,808 | 2,258 | 6,066 | -1,343 | 4,723 |
| Sub Total | 34,478 | 788 | 35,267 | -2,748 | 32,519 |
| Asset works - Non Recurrent | | | | | |
| Total converted | 11,600 | -3,512 | 8,087 | 316 | 8,403 |
| Support SNR | 508 | 529 | 1,037 | 324 | 1,361 |
| Sub Total | 12,107 | -2,983 | 9,124 | 640 | 9,765 |
| Corporate costs - Recurrent | | | | | |
| Finance | 4,879 | -219 | 4,660 | -1,764 | 2,896 |
| HR | 1,683 | 531 | 2,214 | -1,538 | 676 |
| IT | 2,695 | 1,242 | 3,937 | -78 | 3,859 |
| Other Corporate | 4,668 | 740 | 5,408 | -2,275 | 3,133 |
| Management Fee | 1,548 | 1,525 | 3,072 | 4,326 | 7,398 |
| Sub Total | 15,473 | 3,818 | 19,291 | -1,329 | 17,962 |
| Total Opex (Ex-Self Insurance) | 62,059 | 1,624 | 63,682 | -3,436 | 60,246 |
| Self Insurance | 821 | | 821 | | 821 |
| Total Opex (Inc-Self Insurance) | 62,880 | 1,624 | 64,503 | -3,436 | 61,067 |

Significant expenditure to achieve merger benefits in HR and IT



Opex Merger Effects - Corporate



| REAL \$2007-08 | Stand Alone Transmission Business | | In Transition | | Merged Entitiy |
|---|---|---------------|---------------|---------------|-------------------|
| | 2004/5 | | 2005/6 | | 2006/7 |
| Rountine maintenance - Recurrent | | | | | |
| Maintenance | 19,240 | -1,456 | 17,784 | -428 | 17,356 |
| System Operation | 3,869 | -367 | 3,503 | -954 | 2,549 |
| H | 872 | 9 | 881 | -305 | 576 |
| T | 3,719 | 485 | 4,204 | 230 | 4,434 |
| I | 2,970 | -140 | 2,830 | 52 | 2,882 |
| S | 3,808 | 2,258 | 6,066 | -1,343 | 4,723 |
| S | 34,478 | 788 | 35,267 | -2,748 | 32,519 |
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| Corporate costs - Recurrent | | | | | |
| Finance | 4,879 | -219 | 4,660 | -1,764 | 2,896 |
| HR | 1,683 | 531 | 2,214 | -1,538 | 676 |
| IT | 2,695 | 1,242 | 3,937 | -78 | 3,859 |
| Other Corporate | 4,668 | 740 | 5,408 | -2,275 | 3,133 |
| Management Fee | 1,548 | 1,525 | 3,072 | 4,326 | 7,398 |
| Sub Total | 15,473 | 3,818 | 19,291 | -1,329 | 17,962 |
| Total Opex (Ex-Self Insurance) | 62,059 | 1,624 | 63,682 | -3,436 | 60,246 |
| Self Insurance | 821 | | 821 | | 821 |
| Total Opex (Inc-Self Insurance) | 62,880 | 1,624 | 64,503 | -3,436 | 61,067 |

Merger of Transmission and Distribution drive considerable on-going savings in HR, Finance and Other corporate overheads

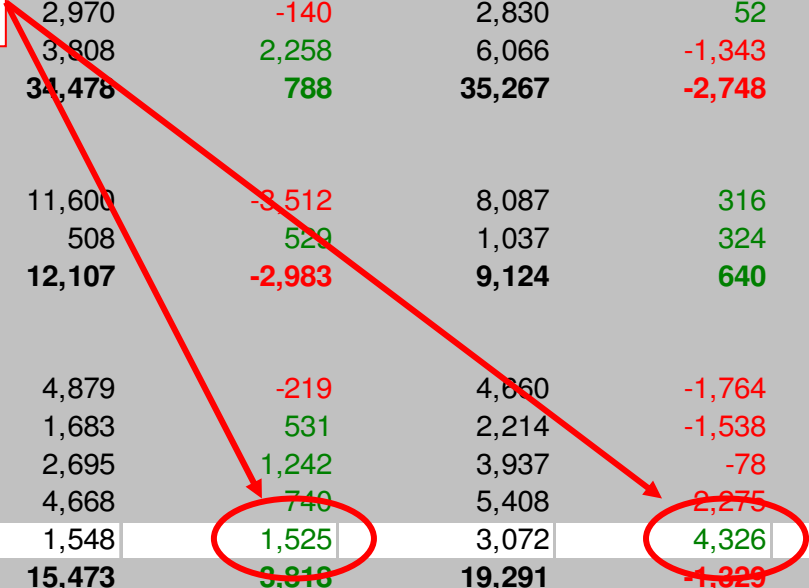


Opex Merger Effects – Management Co



| REAL \$2007-08 | Stand Alone Transmission Business | | In Transition | | Merged Entity |
|--|---|---------------|---------------|---------------|------------------|
| | 2004/5 | | 2005/6 | | 2006/7 |
| Routine maintenance - Recurrent | | | | | |
| Maintenance | 19,240 | -1,456 | 17,784 | -428 | 17,356 |
| System Operation | 3,869 | -367 | 3,503 | -954 | 2,549 |
| | 872 | 9 | 881 | -305 | 576 |
| | 3,719 | 485 | 4,204 | 230 | 4,434 |
| | 2,970 | -140 | 2,830 | 52 | 2,882 |
| Support SNR | 3,808 | 2,258 | 6,066 | -1,343 | 4,723 |
| Sub Total | 34,478 | 788 | 35,267 | -2,748 | 32,519 |
| Asset works - Non Recurrent | | | | | |
| <i>Total converted</i> | 11,600 | -3,512 | 8,087 | 316 | 8,403 |
| Support SNR | 508 | 529 | 1,037 | 324 | 1,361 |
| Sub Total | 12,107 | -2,983 | 9,124 | 640 | 9,765 |
| Corporate costs - Recurrent | | | | | |
| Finance | 4,879 | -219 | 4,660 | -1,764 | 2,896 |
| HR | 1,683 | 531 | 2,214 | -1,538 | 676 |
| IT | 2,695 | 1,242 | 3,937 | -78 | 3,859 |
| Other Corporate | 4,668 | 740 | 5,408 | 2,275 | 3,133 |
| Management Fee | 1,548 | 1,525 | 3,072 | 4,326 | 7,398 |
| Sub Total | 15,473 | 3,816 | 19,291 | -1,329 | 17,962 |
| Total Opex (Ex-Self Insurance) | 62,059 | 1,624 | 63,682 | -3,436 | 60,246 |
| Self Insurance | 821 | | 821 | | 821 |
| Total Opex (Inc-Self Insurance) | 62,880 | 1,624 | 64,503 | -3,436 | 61,067 |

Management Co established in second half of 2005/06 year

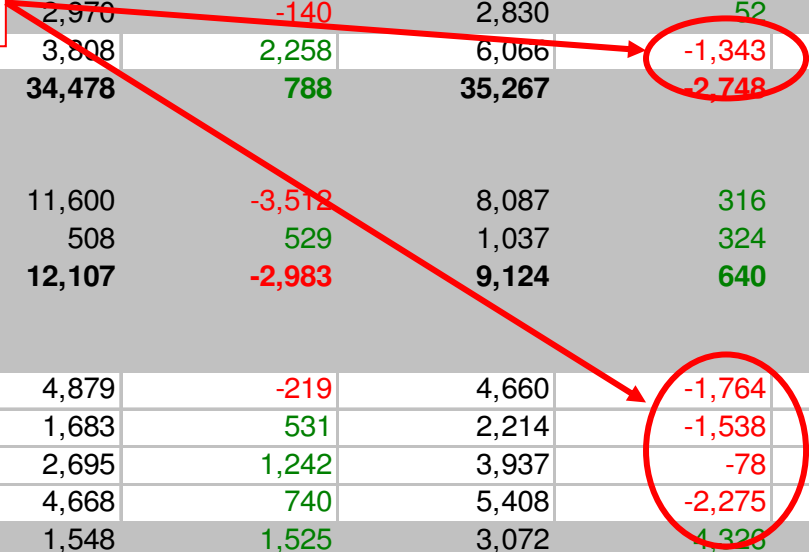


Opex Merger Effects – Management Co



| REAL \$2007-08 | Stand Alone Transmission Business | | In Transition | | Merged Entity |
|--|---|---------------|---------------|---------------|------------------|
| | 2004/5 | | 2005/6 | | 2006/7 |
| Routine maintenance - Recurrent | | | | | |
| Maintenance | 19,240 | -1,456 | 17,784 | -428 | 17,356 |
| System Operation | 3,869 | -367 | 3,503 | -954 | 2,549 |
| | 872 | 9 | 881 | -305 | 576 |
| | 3,719 | 485 | 4,204 | 230 | 4,434 |
| | 2,970 | -140 | 2,830 | 52 | 2,882 |
| Support SNR | 3,808 | 2,258 | 6,066 | -1,343 | 4,723 |
| Sub Total | 34,478 | 788 | 35,267 | -2,748 | 32,519 |
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| Sub Total | 12,107 | -2,983 | 9,124 | 640 | 9,765 |
| Corporate costs - Recurrent | | | | | |
| Finance | 4,879 | -219 | 4,660 | -1,764 | 2,896 |
| HR | 1,683 | 531 | 2,214 | -1,538 | 676 |
| IT | 2,695 | 1,242 | 3,937 | -78 | 3,859 |
| Other Corporate | 4,668 | 740 | 5,408 | -2,275 | 3,133 |
| Management Fee | 1,548 | 1,525 | 3,072 | -1,326 | 7,398 |
| Sub Total | 15,473 | 3,818 | 19,291 | -1,329 | 17,962 |
| Total Opex (Ex-Self Insurance) | 62,059 | 1,624 | 63,682 | -3,436 | 60,246 |
| Self Insurance | 821 | | 821 | | 821 |
| Total Opex (Inc-Self Insurance) | 62,880 | 1,624 | 64,503 | -3,436 | 61,067 |

Management Co costs are being stripped out of other areas



Opex Merger Effects 2003/04 to 2006/07

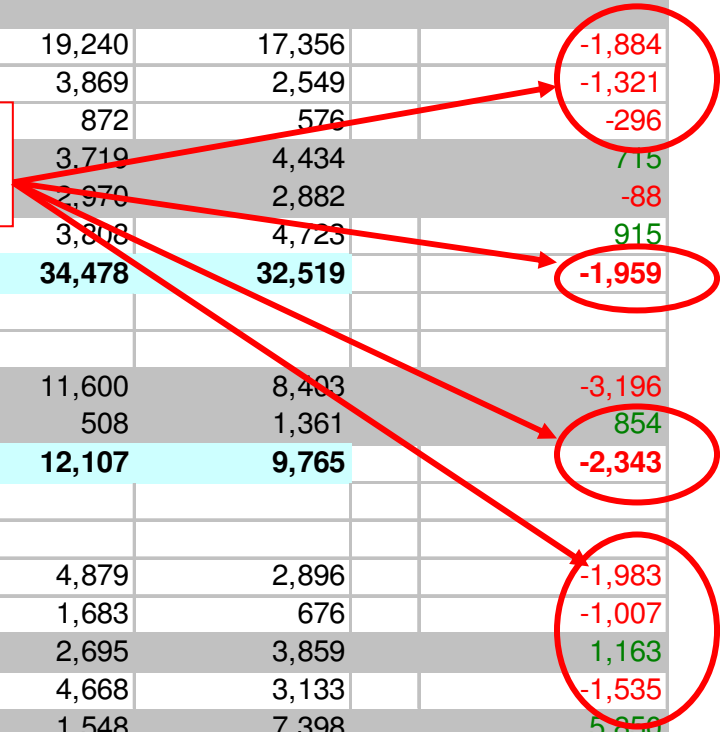


| REAL \$2007-08 | Stand Alone Transmission Business | Merged Entitiy | Net Effects |
|---|---|-------------------|---------------|
| | 2004/5 | 2006/7 | |
| Rountine maintenance - Recurrent | | | |
| Maintenance | 19,240 | 17,356 | -1,884 |
| System Operation | 3,869 | 2,549 | -1,321 |
| Health & Safety | 872 | 576 | -296 |
| Taxes/Leases | 3,719 | 4,434 | 715 |
| Insurance | 2,970 | 2,882 | -88 |
| Support SR | 3,808 | 4,723 | 915 |
| Sub Total | 34,478 | 32,519 | -1,959 |
| Asset works - Non Recurrent | | | |
| <i>Total converted</i> | 11,600 | 8,403 | -3,196 |
| Support SNR | 508 | 1,361 | 854 |
| Sub Total | 12,107 | 9,765 | -2,343 |
| Corporate costs - Recurrent | | | |
| Finance | 4,879 | 2,896 | -1,983 |
| HR | 1,683 | 676 | -1,007 |
| IT | 2,695 | 3,859 | 1,163 |
| Other Corporate | 4,668 | 3,133 | -1,535 |
| Management Fee | 1,548 | 7,398 | 5,850 |
| Sub Total | 15,473 | 17,962 | 2,489 |
| Total Opex (Ex-Self Insurance) | 62,059 | 60,246 | -1,813 |
| Self Insurance | 821 | 821 | |
| Total Opex (Inc-Self Insurance) | 62,880 | 61,067 | -1,813 |

Opex Merger Effects – savings

| REAL \$2007-08 | Stand Alone | Merged | Net Effects |
|---|-----------------------|---------------|---------------|
| | Transmission Business | Entitiy | |
| | 2004/5 | 2006/7 | |
| Rountine maintenance - Recurrent | | | |
| Maintenance | 19,240 | 17,356 | -1,884 |
| System Operation | 3,869 | 2,549 | -1,321 |
| | 872 | 576 | -296 |
| | 3,719 | 4,434 | 715 |
| | 2,970 | 2,882 | -88 |
| Support SR | 3,808 | 4,723 | 915 |
| Sub Total | 34,478 | 32,519 | -1,959 |
| Asset works - Non Recurrent | | | |
| Total converted | 11,600 | 8,403 | -3,196 |
| Support SNR | 508 | 1,361 | 854 |
| Sub Total | 12,107 | 9,765 | -2,343 |
| Corporate costs - Recurrent | | | |
| Finance | 4,879 | 2,896 | -1,983 |
| HR | 1,683 | 676 | -1,007 |
| IT | 2,695 | 3,859 | 1,163 |
| Other Corporate | 4,668 | 3,133 | -1,535 |
| Management Fee | 1,548 | 7,398 | 5,850 |
| Sub Total | 15,473 | 17,962 | 2,489 |
| Total Opex (Ex-Self Insurance) | 62,059 | 60,246 | -1,813 |
| Self Insurance | 821 | 821 | |
| Total Opex (Inc-Self Insurance) | 62,880 | 61,067 | -1,813 |

Large on-going savings in maintenance and operations and corporate overheads



Opex Merger Effects – bottom line



| REAL \$2007-08 | Stand Alone Transmission Business | Merged Entitiy | Net Effects |
|---|---|-------------------|---------------|
| | 2004/5 | 2006/7 | |
| Rountine maintenance - Recurrent | | | |
| Maintenance | 19,240 | 17,356 | -1,884 |
| System Operation | 3,869 | 2,549 | -1,321 |
| Health & Safety | | | -296 |
| Taxes/Leases | | | 715 |
| Insurance | 2,970 | 2,882 | -88 |
| Support SR | 3,808 | 4,723 | 915 |
| Sub Total | 34,478 | 32,519 | -1,959 |
| Asset works - Non Recurrent | | | |
| <i>Total converted</i> | 11,600 | 8,403 | -3,196 |
| Support SNR | 508 | 1,361 | 854 |
| Sub Total | 12,107 | 9,765 | -2,343 |
| Corporate costs - Recurrent | | | |
| Finance | 4,879 | 2,896 | -1,983 |
| HR | 1,683 | 676 | -1,007 |
| IT | 2,695 | 3,853 | 1,163 |
| Other Corporate | 4,668 | 3,133 | -1,535 |
| Management Fee | 1,548 | 7,398 | 5,850 |
| Sub Total | 15,473 | 17,962 | 2,489 |
| Total Opex (Ex-Self Insurance) | 62,059 | 60,246 | -1,813 |
| Self Insurance | 821 | 821 | |
| Total Opex (Inc-Self Insurance) | 62,880 | 61,067 | -1,813 |

Almost 2 Million dollars saved on an ongoing basis

