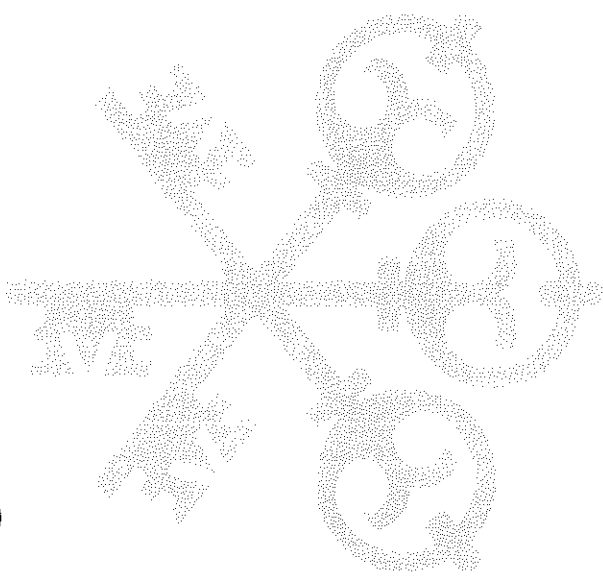


Networks NSW

UBS response to the Networks NSW scoping request on debt restructuring costs



UBS Responses

Assuming that Ausgrid, Endeavour and Essential Energy were operating as standalone corporations with the expected debt portfolios as outlined, Networks NSW would like UBS's view on the following:

1 Domestically, what derivatives instruments could be used to hedge the cost of debt over the 2014-19 regulatory period based on both a 7 year term to maturity and a 10 year term to maturity (e.g. interest rate swap derivatives)?

[Redacted]

2 Would the domestic derivatives market be sufficiently liquid to provide these hedging options to Ausgrid, Endeavour and Essential given the size of our combined debt portfolios and the requirement to hedge around the same regulatory decision date?

[Redacted]

3 If the domestic derivatives market was sufficiently liquid to provide these hedging options to Ausgrid, Endeavour and Essential, how would the hedging strategy be practically executed and at what likely cost?

[Redacted]

a What would the lead time be for executing these transactions (i.e. how long would it take market participants to respond)?

[Redacted]

UBS Responses

Assuming that Ausgrid, Endeavour and Essential Energy were operating as standalone corporations with the expected debt portfolios as outlined, Networks NSW would like UBS's view on the following:

(b) What would the lead time be for executing these transactions (i.e. how long would it take market participants to respond)?

[REDACTED]

(c) Internationally, would Ausgrid, Essential and Endeavour be able to issue debt in the US debt market and then use swaps to fix the USD/AUD exchange rate to convert the liability back into AUD?

[REDACTED]

UBS Responses

Assuming that Ausgrid, Endeavour and Essential Energy were operating as standalone corporations with the expected debt portfolios as outlined, Networks NSW would like UBS's view on the following:

4 Internationally, would Ausgrid, Essential and Endeavour be able to issue debt in the US debt market and then use swaps to fix the USD/AUD exchange rate to convert the liability back into AUD? (cont.)

[Redacted]

a If the entire debt portfolio was issued in the US market initially what would the cost of this be, based on rates forecast at April 2014?

[Redacted]

b What would the lead time be for executing these transactions (i.e. how long would it take market participants to respond)?

[Redacted]

c Incorporating legal and other costs what would you expect the overall cost of this offshore issuance strategy to be?

[Redacted]

UBS Responses

Assuming that Ausgrid, Endeavour and Essential Energy were operating as standalone corporations with the expected debt portfolios as outlined, Networks NSW would like UBS's view on the following:

5 What are some of the typical risks in undertaking derivative transactions of the size and scale being contemplated by NNSW?

[REDACTED]