

# SPARK NEWS



## CHAIRMAN'S MESSAGE

Dear Securityholder,

In recent months there has been a marked improvement in the conditions in financial markets. Not only have share markets rallied around the world, but global bond markets have 're-opened' for borrowers with sound credit credentials. Nevertheless, many economies are in recession, although there are early signs that economic growth may emerge in the next 12 months, or so.

As I am sure you are aware, the Australian economy has fared better than most of our counterparts. However, we have not been immune from global forces. It is in this context that the continued strong performance in the June 2009 half year of the Asset Companies in which we have a 49% interest – CitiPower and Powercor in Victoria and ETSA Utilities in South Australia - is extremely pleasing. The results of the Asset Companies and of Spark Infrastructure are summarised on page 5.

It is important to note that the Asset Companies continue to operate under a robust regulatory system which provides a range of built in protections to investors. This, in turn, provides the foundation for Spark Infrastructure's performance.

In May 2009 Spark Infrastructure announced a capital management plan which involved the resetting of our distribution policy and the activation of Spark's Distribution Reinvestment Plan (DRP). Your Board believes that these two measures will strengthen our balance sheet in an environment which still contains considerable uncertainty and provides a solid base for long term growth. These measures should also enable Spark Infrastructure to meet its funding requirements until the end of 2010 for the increased growth capital expenditure of the three Asset Companies.

## CHAIRMAN'S MESSAGE CONTINUED

The Board of Spark Infrastructure has declared a distribution of 6.72 cents per security for the six months ended 30 June 2009, payable in September 2009 and, subject to business conditions, confirmed its distribution guidance of 13.56 cents per security for the year ending 31 December 2009. The distributions to Securityholders for 2009 continue to be supported by the operational cashflows of the Asset Companies and represent a prudent stand alone payout ratio of 70.3% for the period.

You will have received our formal invitation to participate in the DRP which commences for the June 2009 half year distribution. The invitation to participate in the DRP, the DRP rules and explanatory materials were mailed to Securityholders on 9 July 2009.

I would like to thank you for your ongoing support of Spark Infrastructure as we approach the new regulatory reset period.



STEPHEN JOHNS

**CHAIRMAN  
SPARK INFRASTRUCTURE**

## CITIPOWER AND POWERCOR SMART METER ROLL OUT

CitiPower and Powercor will shortly embark upon one of Victoria's largest energy infrastructure projects since the development of the state's energy network, with the commencement of the installation of more than 1.1 million smart meters to homes and businesses across their Victorian electricity distribution networks.

The project will transform the way consumers use and think about electricity, and will allow electricity distributors to manage the electricity supply more effectively and efficiently.

All homes and small businesses will have their manually read meters replaced with smart meters, which can record the precise time of energy use, allowing tariffs to be created that reflect the actual costs of generating electricity over peak periods. The meters remotely read electricity consumption and deliver data via a wireless communications network that operates between the electricity distribution business and the customer. The meter data is then processed and sent to the retailer for billing purposes.

The use of the smart meters will empower energy consumers to better manage their energy consumption, as in-home displays and web applications will give the consumer direct access to information relating to their energy consumption, allowing them to actively tackle climate change by monitoring and measuring their energy use.

The smart meters will also allow for a more efficient, effective and reliable electricity network. Distributors will be able to detect faults and respond to supply problems more promptly. The use of tariffs during peak times will encourage consumers to use off-peak electricity, smoothing out peak demand and reducing the need to augment the distribution network to cope with peak loads.

Smart meters will improve billing accuracy, avoiding the need for estimated bills. Currently electricity charges do not reflect the cost of generating electricity, and most consumers pay a flat rate regardless of time of consumption. This results in those who do not have large consuming appliances compensating those that do; however the

smart meter's ability to record the time of energy use will help to alleviate this.

CitiPower and Powercor are partnering with Landis+Gyr and PRI Australia, who will provide the smart meters, and Silver Spring Networks who will provide network infrastructure, communications devices and the software that will connect the smart meters to the electricity distribution networks. Powercor's IT technology arm will perform the systems integrator role, rather than partnering with external suppliers such as IBM or Accenture. This way, Powercor will retain the intellectual property of the projects, and will be better equipped to understand and be able to tackle technology problems that may arise during implementation. The field installation contracts have been awarded to Bilfinger Berger and UXC.

The rollout of the smart meters is expected to begin later this year and will be completed by the end of 2013. Electricity retailers will recover the cost of the meters on behalf of the distribution businesses through electricity bills.

## ETSA UTILITIES PLANS TO EXPAND AND IMPROVE SA ELECTRICITY DISTRIBUTION NETWORK

ETSA Utilities is proposing to invest \$2.8 billion over the next five years to improve and expand South Australia's electricity distribution network. The plans were outlined in ETSA Utilities' funding submission for 2010-2015 with the Australian Energy Regulator (AER), lodged in July.

ETSA Utilities' submission aims to balance the need to achieve the desired service levels while managing risk, obtaining a commercial return and delivering acceptable price outcomes for customers.

In developing the proposal, ETSA Utilities undertook a significant review of the complex issues both it and the broader electricity industry face. This review included consultation with government, customers and the broader community on their expectations for electricity supply and distribution.

What resulted was a plan to increase the levels of investment – ETSA Utilities plans to more than double the investment made in the 2005-2010 period – to ensure the network is positioned to meet current and emerging industry-wide challenges.

The plan includes both metropolitan and regional projects, such as:

- A new City-west connection and substation for the CBD;
- Safety upgrades;
- Low voltage line and transformer upgrades;
- A second undersea cable and new 66kV 'backbone' for Kangaroo Island;
- A new network control centre, network monitoring and communication systems; and
- Metropolitan and regional line substation replacement and upgrade programs.

ETSA Utilities' plans will have many benefits for South Australians, improving the network's reliability during extended heatwaves and extreme weather conditions; improving the security of supply; supporting growth; improving outage management; providing a platform for introducing future 'smart network' technologies; replacing ageing substations; and increasing capacity.

The AER's final determination is due in April 2010, and will determine the allowable level of network investment and return.



## CITIPOWER AND POWERCOR AWARDED EMERGENCY RECOVERY AWARD

CitiPower and Powercor have been awarded the Emergency Recovery Award, a prestigious international award presented annually by US based Edison Electric Institute.

The award recognises exceptional efforts in restoring power services disrupted by severe weather or other natural events. CitiPower and Powercor received the award for their emergency response to the major gale force wind storms that rocked Victoria in April 2008.

The wind storms were among the worst the state has ever seen, with 130km per hour winds bringing down hundreds of trees across power lines, affecting around 400,000 electricity customers throughout Victoria. CitiPower and Powercor staff worked tirelessly to bring their customers back on line in a weather event akin to a category four cyclone and causing severe damage to Victoria and its electricity distribution networks.

Following an international nomination process, a panel of judges chose CitiPower and Powercor as winners, acknowledging their exceptional efforts to restore 99.9 per cent of customers impacted by sustained power outages after just one day. This allowed CitiPower and Powercor to shift their resources to other parts of the state to assist fellow distribution companies in their recovery efforts.

Improving their emergency response is a continual challenge for CitiPower and Powercor. While extreme weather events and the damage they cause are always unpredictable, CitiPower and Powercor are working to become better at managing the impacts these events have on the companies, their networks and their customers.

# CEO'S REPORT



Dear Securityholder,

In one of the most challenging market environments for many decades, Spark Infrastructure and the Asset Companies in which we have a 49% stake—CitiPower and Powercor in Victoria and ETSA Utilities in South Australia — have continued to perform solidly in 2009 and are well placed to grow into the future.

Spark Infrastructure's strong performance is underpinned by the quality of these businesses, the expertise of the management teams leading them, our conservative and pro-active approach to capital management and our focus on organic growth.

In the first half of 2009, we again delivered strong returns to our Securityholders. Spark's total underlying income for the half year increased by 26% to \$137.3 million. Total aggregated revenue of the Asset Companies in the period was \$880.4 million, compared to \$796.6 million in the previous corresponding period. This was driven by growth in both regulated and non-prescribed business activities in the electricity distribution sector. The results of Spark Infrastructure and of the Asset Companies are summarised in the tables on page 5.

The network performance and management of these businesses has been particularly creditable in 2009 given the extreme weather conditions the businesses encountered in the early part of the year, particularly the heatwaves in Victoria and South Australia and the severe bushfires in Victoria in February. All three networks maintained their availability and reliability in this period. ETSA Utilities, CitiPower and Powercor continue to be the most reliable rural and urban electricity distribution businesses in Australia. This is a great credit to their management teams who continue to strive to optimise the businesses.

The most significant upcoming event for the Asset Companies is the next regulatory reset, which will be effective from 1 July 2010 for ETSA Utilities and from 1 January 2011 for CitiPower and Powercor.

ETSA Utilities has made its initial submission to the Australian Energy Regulator (AER), which includes proposals for a total of \$2.8 billion of capital expenditure over the next 5-year regulatory period. These proposals represent a substantial increase over the \$1.2 billion of capital expenditure

in the current reset period. ETSA Utilities is scheduled to receive the draft regulatory decision by the end of November 2009 and the final decision in April 2010. CitiPower and Powercor will make their initial submission to the AER in November 2009 with the AER's draft determination expected in July 2010 and the final determination in October 2010.

Spark Infrastructure remains focused on organic growth in the regulated electricity distribution networks of the Asset Companies. An important component of our organic growth strategy involves capital expenditure in a range of projects such as 'smart metering' in Victoria and the upgrading of the CitiPower and ETSA Utilities networks through 'CBD supply security' projects and asset renewal programs. This capital expenditure, in turn, leads to increased operating revenue in future periods.

Lastly, in relation to potential acquisitions, Spark Infrastructure will continue to maintain a disciplined approach and we will only consider investment opportunities that we believe will add value for our Securityholders. In the present environment, however, we consider the expansion and growth of the Asset Companies as being the most attractive investment opportunity for Spark Infrastructure.

LAURA REED

**CHIEF EXECUTIVE OFFICER  
SPARK INFRASTRUCTURE**



## ETSA UTILITIES RAISES US\$500 MILLION IN PRIVATE PLACEMENT

ETSA Utilities has reached a conditional agreement with US investors to raise US\$500 million (approximately A\$625 million) through a private placement of Notes (USPP). This debt has been split into three tranches of five, seven and ten year tenors, and will be used to pay down existing debt facilities that are due in April 2010. This is the first phase of the refinancing of A\$750 million of existing debt which matures in April 2010.

The volume and tenor of the new debt ETSA Utilities has been able to raise on this occasion reflects the US investors' strong response to the secure cash flows and quality operations offered by ETSA Utilities' electricity distribution business.

The company is well advanced with plans to fund the balance of its maturing debt following the positive response to the USPP.

## CEO'S REPORT CONTINUED

### SPARK INFRASTRUCTURE HIGHLIGHTS

Spark Infrastructure financial performance	HY 2009 (\$m)	HY 2008 (\$m)	Variance
Total income (underlying) <sup>14</sup>	137.3	108.9	↑ 26.1%
Profit before loan note interest and tax (underlying) <sup>1</sup>	117.2	71.7	↑ 63.5%
Operating and investing cashflows (stand alone)	96.4	100.5	↓ 4.1%
Interim distribution	67.8	93.3	↓ 27.4%
Interim distribution payout ratio (stand alone) <sup>5</sup>	70.3%	92.9%	↓ 24.3%
Aggregate asset company revenue (Spark share) <sup>67</sup>	431.4	390.3	↑ 10.5%
Aggregate asset company EBITDA (Spark share) <sup>67</sup>	307.6	263.7	↑ 16.6%

### ASSET COMPANY HIGHLIGHTS

Half Year ended 30 June 2009	ETSA	CitiPower	Powercor
<b>Sales volume growth</b>			
- Weather related (asset company estimates)	-0.3%	1.1%	1.7%
- Underlying growth	-0.3%	0.5%	-1.7%
- Total increase (compared to HY 2008)	-0.6%	1.6%	0.0%
<b>Customers</b>			
- Customer numbers	807,553	304,314	689,874
- Customer growth (compared to HY 2008)	1.4%	1.1%	1.5%
<b>Capital expenditure</b>			
- Net	\$67.6m	\$118.6m	
- Percentage increase (compared to HY 2008)	17.0%	(3.7)%	
<b>Prescribed revenue</b>			
- Actual results	\$262.6m	\$354.2m <sup>8</sup>	
- Percentage change (compared to HY 2008)	6.0%	10.0%	
<b>Non-prescribed revenue</b>			
- Actual results	\$157.9m	\$105.7m	
- Percentage change (compared to HY 2008)	13.5%	20.3%	

1 Underlying figures exclude certain non-cash and non-operating items which do not relate to the year's underlying performance. The directors consider that underlying figures provide a clearer explanation of Spark's operating performance.

4 Consists of interest income from associates, Spark Infrastructure's share of equity accounted profits and other income less movements in financial instruments taken to the Profit & Loss account by the associates.

5 Represents Interim Distribution as a percentage of Spark Infrastructure's operating and investing cashflows.

6 Aggregate revenue of the Asset Companies excludes transmission revenue, which is collected on behalf of others and does not contribute to profit.

7 Spark Infrastructure's amount shown equates to its 49% share of the relevant amounts for the Asset Companies.

8 Advanced Metering Infrastructure (AMI) revenue is included in Prescribed Revenue for CHEDHA.

### ETSA UTILITIES TACKLING VEHICLE EMISSIONS

ETSA Utilities is actively targeting a reduction in the carbon dioxide emissions produced by its fleet of passenger vehicles, by including a measure of carbon dioxide emissions in the selection criteria for assessing vehicles to meet operational requirements.

Purchasing smaller and more efficient vehicles will not only reduce greenhouse gas emissions, it will also help reduce fuel consumption, capital expenditure and operating costs.

ETSA Utilities has adopted a National Average Carbon Emissions (NACE) target of 215 grams per kilometre for its passenger vehicles. They will be looking to purchase diesel vehicles, which produce about two-thirds the volume of carbon dioxide per kilometre compared to those which run on petrol, or four cylinder vehicles.

If ETSA Utilities achieves its target of 215g per kilometre for all vehicles, the company will save around 2000 tonnes of carbon emissions annually.

This is one of a number of environmentally-friendly initiatives ETSA Utilities is undertaking. Other projects include the upgrading of ETSA Utilities' annual Environmental Management Plan to guide the organisation in meeting its environmental objectives, particularly in the areas of energy use and waste; and the salvaging of more than 1,800 tonnes of scrap metal as part of ETSA Utilities' scrap metal disposal program in 2008.



# RICK FRANCIS PROFILE



In February, Spark Infrastructure appointed Rick Francis as its new Chief Financial Officer. Rick has extensive experience in Australian energy infrastructure, having worked in the industry for more than ten years. Rick was formerly the Chief Financial Officer for the APA Group and prior to that worked at Origin Energy.

Rick brings a broad range of skills and experience to the position of CFO at Spark. He is a Chartered Accountant and has a Masters of Business Administration degree from the Macquarie School of Management.

The position of CFO at Spark attracted Rick as it allows him to apply and build on his experience working in the infrastructure space. It also enables him to take on strategic responsibilities, working closely with Laura Reed, the Chief Executive Officer.

Rick is married to Nicole, and has three children. Born in Tamworth, Rick loves his sport, particularly Rugby Union which he played for thirty years. When he's not at work, Rick spends time with his family, including coaching his kids' soccer teams, and enjoys having a hit at golf and playing touch football. Rick is also an avid skier and is the director and treasurer of his ski club.



## ETSA UTILITIES' DAVENPORT TRAINING CENTRE TO OPEN THIS YEAR

ETSA Utilities' Davenport Training Centre, which will provide training, development and employment opportunities in South Australia, will open later this year in Port Augusta.

The \$3 million, state-of-the-art centre has been developed in partnership with the Davenport community and with support from the Federal Government. It has been established to help ETSA Utilities develop and grow its capacity to meet the renewal and expansion of South Australia's electrical infrastructure over the next decade.

The centre will allow for diverse training and pre-employment opportunities in the region, which is a priority due to the forecast growth of mining exploration and extraction

industries. It will provide workplace-related skills development, specific Indigenous and schools programs, and improved linkages with other training facilities, particularly TAFE South Australia. The centre will also allow for specialist training on non-metropolitan assets, an important task as around 70% of network assets are located in country areas.

The centre will not only be used for ETSA Utilities' apprentices and new power industry workers, but will also be of benefit to existing employees and contractors who will be able to learn new skills and improve work safety practices. The centre will also be available for fee-for-service training and external hire by other organisations.

## ETSA UTILITIES RECOGNISED FOR EXCELLENCE IN SAFETY

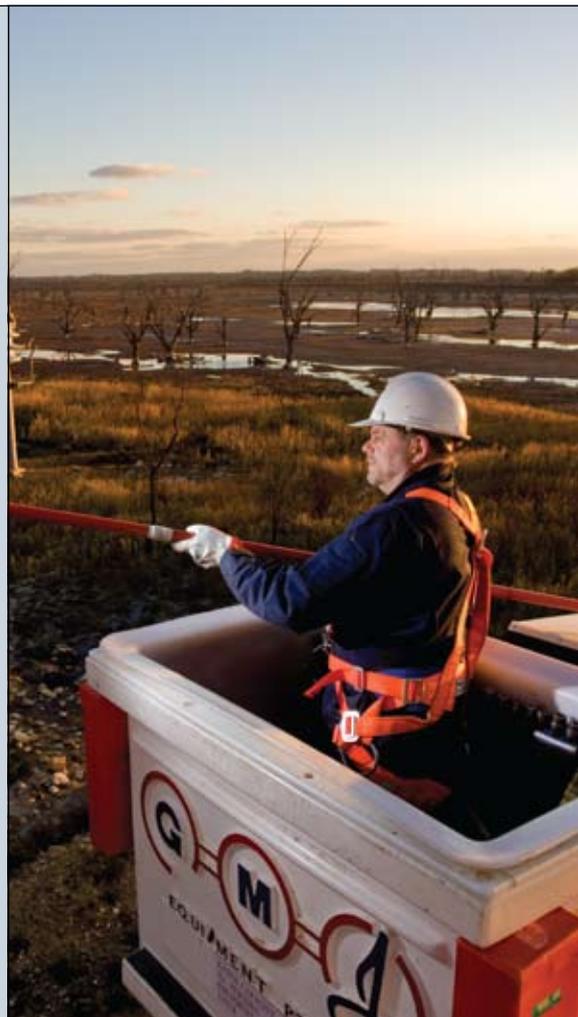
ETSA Utilities has won the top national safety award for Best Workplace Health and Safety Management System from Safe Work Australia.

The award recognises ETSA Utilities' efforts to ensure staff and customers are safe, a commitment which brings real benefits to ETSA Utilities' people and business.

ETSA Utilities' safety management system has been developed over many years in consultation with management and staff, health and safety representatives and unions. It is designed to engage the whole workforce, so all levels of staff and management have clear responsibilities and are held accountable for safety performance.

Working with electricity is inherently dangerous. Furthermore, working in electricity distribution means working at height and in confined spaces, often in extreme weather conditions and at any time of the day or night.

Consequently, this safety award is a great achievement for ETSA Utilities and demonstrates the substance behind ETSA Utilities' reputation as a leader in safety. ETSA Utilities continues to strive to achieve its vision of 'a workplace free of accidents or injury,' a goal fuelled by its desire to see its staff and their families remain safe.



## CITIPower AND POWERCOR TRIAL SMS OUTAGE WARNING

CitiPower and Powercor are currently conducting a trial of a new communications process in which customers are provided information about unplanned outages via SMS and email.

The process aims to provide the most up to date and accurate information to customers during large scale events, via a channel that is not affected by power outages.

The trial involves 16,500 customers, who will receive information advising of outages in their area, whether a crew has been dispatched, and an estimated restoration time if available.

One or two follow up messages will be sent, advising when crews are on site, the estimated restoration time, and when the fault has been restored.

If the trial is successful, the process could be used during widespread events such as windstorms, bushfires and load shedding.



## ETSA UTILITIES RECOGNISED FOR COMMITMENT OF STAFF TO THEIR COMMUNITY

ETSA Utilities was this year pleased to receive a South Australian Premier's Business Award for Volunteering, which reflects the high level of commitment to volunteering amongst the organisation's 1,800 staff and their support of the community.

The award itself recognises ETSA Utilities' corporate support for the Mary Potter Hospice, which does a very important job in supporting cancer patients and their families, and specifically ETSA Utilities' support in the 'Loving Tree' project.

ETSA Utilities' staff also spend countless hours raising money and volunteering for charity and community organisations through the ETSA Utilities Employee Foundation. In February staff raised \$44,000 for the Victorian bushfire appeal, on top of the \$47,000 raised in 2008. All donations were matched with corporate contributions from ETSA Utilities.

In 2008, staff volunteered for a number of initiatives including the refurbishment of Catherine House, which provides supported accommodation for women; serving breakfasts for the homeless; assisting in the management of the Mary Potter Foundation's 'Walk for Love' and 'Hi Tea with Mary'; and delivering Uniting Care Wesley Christmas hampers.

In 2009, volunteers from ETSA Utilities have completed the refurbishment of a family room at the Mary Potter Hospice, and continue to assist the Cancer Council in South Australia to refurbish its Flinders Lodge facility for cancer patients, help restore remnant vegetation and wildlife to the Para Woodland Reserve north of Adelaide, and work with the Hutt Street Centre and Uniting Care Wesley.

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## CITIPOWER AND POWERCOR WIN FIVE CUSTOMER SERVICE AWARDS

CitiPower and Powercor have won five major categories at the Customer Service Institute of Australia (CSIA) Australian Service Excellence Awards, held in Melbourne.

The awards acknowledged CitiPower and Powercor as an Australian leader in delivering great customer service, and recognised the strong customer satisfaction results that have been achieved.

At the awards, CitiPower and Powercor were named for Victorian Customer Charter of the Year, National Customer Charter of the Year, and Victorian Large Business of the Year. The awards for Victorian Customer Service Executive of the Year and National Customer Service Executive of the Year went to CitiPower and Powercor's General Manager Customer Services, Brendan Bloore.

All employees have been getting behind CitiPower and Powercor's Powerful Customer Service initiative and making it a reality for customers.

## CITIPOWER SIGNS MANDATE FOR \$175 MILLION

Citipower has negotiated a mandate with an international bank to refinance \$175 million of debt maturing in February 2010. The term will be for 3 years from February 2010.

## POWERCOR PLAN A US PRIVATE PLACEMENT

Powercor has agreed with the existing bank debt providers to extend two \$100 million facilities to September 2010, with the intention of undertaking a private placement of bonds to US investors later this year following the recent success of the ETSA Utilities refinancing.