

18 December 2020

AER Regulatory Inflation Review

The Australian Energy Regulator (**AER**) has published its final position paper on the Regulatory Treatment of Inflation. Expected inflation impacts the rate of return received through regulated revenues.

The AER has changed its approach to estimating expected inflation to:

- shorten the term of the inflation estimate from 10 years to match the regulatory period (usually 5 years); and
- apply a linear glidepath from the RBA's forecasts of inflation for years 1 and 2 of a regulatory period to the mid-point of the inflation target band (2.5%) in year 5, rather than returning to 2.5% from year 3.

The impact of the change will vary over time depending on RBA inflation forecasts.

AusNet Services expects this change to be incorporated in regulated revenues for electricity distribution from 1 July 2021, electricity transmission from 1 April 2022 and gas distribution from 1 July 2023.

The Final Position is available on the AER's website, www.aer.gov.au.

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This announcement was authorised for release by the Disclosure Committee of AusNet Services Ltd.

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