



The State of New South Wales

("Principal")

and

Deutsche Bank AG Sydney Branch

And

UBS AG Australia Branch

("Together, the Consultant")

CONSULTANCY AGREEMENT

**for professional services as Financial Advisor
in relation to *Electricity Networks Transaction***

PART A – PARTIES, RECITALS AND EXECUTION CLAUSES

AGREEMENT BETWEEN

The State of New South Wales, c/- Level 36 Governor Macquarie Tower, 1 Farrer Place Sydney NSW 2000 (the "Principal"),

AND

The parties, acting jointly and severally, specified as Consultant in Item 1 of Part B: Project Details (the "Consultant").

RECITALS

- A. The Principal has issued the Request for Proposals for the engagement of a consultant to provide the Services for the Project.
- B. The Consultant submitted the Consultant's Proposal that was selected by the Principal.
- C. The Consultant has agreed to provide the Services upon the terms and conditions set out in this Agreement.

THIS AGREEMENT IS MADE UP OF

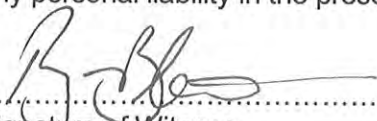
- PART A: Parties, Recitals and Execution Clauses
- Part B: Project Details
- Part C: Agreed Changes to the Operative Provisions
- Part D: Operative Provisions:
 - 1. Interpretative Provisions
 - 2. Term
 - 3. The Consultant's Obligations
 - 4. The Principal's Obligations
 - 5. Representatives
 - 6. Fee
 - 7. GST
 - 8. Extension of Time
 - 9. Variations
 - 10. Confidentiality
 - 11. Privacy and Disclosure of Personal Information
 - 12. Copyright and Intellectual Property
 - 13. Conflict of Interest
 - 14. Warranties, Indemnity and Release
 - 15. Minimum Insurance Requirements
 - 16. Keeping of Records and Audit
 - 17. Dispute Resolution
 - 18. Termination for Convenience
 - 19. Termination for Cause
 - 20. Consequence of termination
 - 21. General
 - 22. Notices
- ANNEXURES/SCHEDULES:
 - Schedule 1: Request for Proposals
 - Schedule 2: Consultant's Proposal
 - Schedule 3: Fee/Consultant Budget
 - Schedule 4: Statutory Declaration by Sub-Contractor
 - Schedule 5: Insurance Certificates of Currency
 - Schedule 6: Confidentiality and Privacy Deed
 - Schedule 7: Confidentiality and Privacy Deed Poll
 - Schedule 8: Cost Report/Breakdown
 - Schedule 9: Variation Statement of Works Form
 - Schedule 10: Reliance Letter template
 - Schedule 11: Non Reliance Letter template

In the event of any conflict or inconsistency between any parts of this Agreement such as the Schedules, the Request for Proposals, the Consultant's Proposal and any Annexures (or any parts thereof), such conflict or inconsistencies will be determined by the Principal in its absolute discretion or otherwise in the following descending order:

1. Part A: Parties, Recitals and Execution Clauses and Part D: Operative Provisions;
2. Part C: Agreed Changes to the Operative Provisions;
3. Part B: Agreement Details;
4. any Schedule and annexure to this Agreement.

EXECUTED AS AN AGREEMENT on the date as specified in Item 2 of Part B: Project Details.

SIGNED for and on behalf of the State of New South Wales but not so as to incur any personal liability in the presence of:


.....
Signature of Witness

RYAN BLOXSON
.....
Print name of Witness



.....
The Hon. Andrew Constance

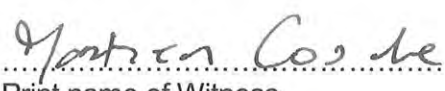
SIGNED for and on behalf of Deutsche Bank AG, Sydney Branch in the presence of:

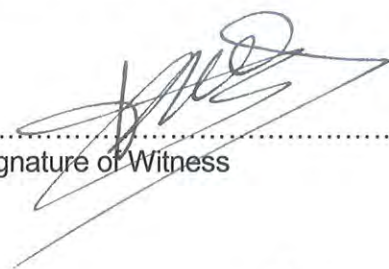
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Signature of Witness


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Print name of Witness

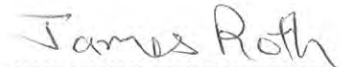
SIGNED for and on behalf of UBS AG, Australia Branch in the presence of:


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Signature of Witness



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Print name of Witness


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Signature of Witness


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Print name of Witness

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Name


.....
Consultant Signature

.....
David Maynard

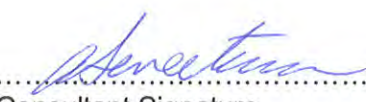
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Item	PART B: PROJECT DETAILS	
1	Consultant	<p>Name: Deutsche Bank AG, Sydney Branch Address: Deutsche Bank Place, L16 Crn Hunter & Philip Sts, SYDNEY 2000 ABN:13 064 165 162 Tel: +61 [REDACTED] Email: [REDACTED]</p> <p>and</p> <p>Name: UBS AG, Australia Branch Address: L16, Chifley Tower, 2 Chifley Sq SYDNEY 2000 ARBN: 088 129 613 ABN: 47 088 129 613 Tel: 02 [REDACTED] Fax: 02 [REDACTED] Email: [REDACTED]</p>
2	Execution Date	Monday 14 July 2014
3	Commencement Date	Monday 14 July 2014
4	Term	Engagement is for Phase One and, pending satisfactory performance of the Consultant and the Government's decision to proceed, engagement will extend to Phase 2 (Execution Stage).
5	Fee/Consultant Budget (Schedule 3)	Refer to Schedule 3 for more detailed fee structure
6	Project	Financial Advisor for the Electricity Networks Transaction
7	Request for Proposals	annexed as Schedule 1
8	Consultant's Proposal	<p>Financial Advisor – Electricity Networks – Deutsche Bank</p> <p>and</p> <p>Financial Advisor – Electricity Networks – UBS</p>

		annexed as Schedule 2
9	Project Objectives	<p>The Government objectives for the Project are to:</p> <ul style="list-style-type: none"> • maximise the financial return for the State • minimise ongoing financial risks and liabilities for the State • facilitate the continued efficient and reliable operation and development of the NSW electricity transmission and distribution network • treat public sector employees fairly and equitably • ensure that any residual liabilities that remain with the public sector (commercial and non-commercial) are minimised and that retained activities are effectively and efficiently managed • complete the Project efficiently, within the timeframes determined by Government and in accordance with appropriate probity and accountability standards.
10	Third Interested Party/ies	<ul style="list-style-type: none"> • Ausgrid • Transgrid • Endeavour Energy • Essential Energy
11	Cap on reimbursable Unavoidable Expenses	\$10,000
12	Public Liability Insurance	\$■ million
13	Professional Liability Insurance	\$50 million
14	Consultant's Representative	<p>Name: Bruce MacDiarmid Address: Deutsche Bank AG, Australia Branch Tel: +61 ■■■■■ Email: ■■■■■</p>
15	Principal's Representative	<p>Name: Tim Spencer Address: L 27 GMT, 1 Farrer Place, Sydney 2000 Tel: 02 ■■■■■ Fax: 02 9221 7029 Email: ■■■■■</p>
16	Notices:	Consultant:
	A notice under this	<p>Name: Bruce MacDiarmid Address: Deutsche Bank AG, Australia Branch Tel: +61 ■■■■■</p>

	Agreement must be in writing and forwarded to the address and Email of the intended recipient or the address last notified by the intended recipient to the sender	<p>Email: [REDACTED]</p> <p>Principal's Representative:</p> <p>Name: Tim Spencer Address: L 27 GMT, 1 Farrer Place, Sydney 2000 Tel: 02 [REDACTED] Email: [REDACTED]</p>
17	Invoices	<p>Attention: Martien Coucke Crown Finance Entity NSW Treasury Governor Macquarie Tower Level 27, 1 Farrer Place Sydney NSW 2000</p> <p>All invoices need to be accompanied by a detailed breakdown and/or time sheets and, where directed by the Principal, accompanied by a narrative explaining at what stage the project is at. For an example of a cost report – see Schedule 8: Costs Report/Breakdown</p>
18	Specified Personnel	<p>Name: Guy Fowler Position Category: Managing Director Telephone: [REDACTED] Mobile: [REDACTED] Email: [REDACTED]</p> <p>Name: Anthony Sweetman Position Category: Managing Director Telephone: [REDACTED] Mobile: [REDACTED] Email: [REDACTED]</p> <p>Name: Jarrod Key Position Category: Managing Director Telephone: [REDACTED] Mobile: [REDACTED] Email: [REDACTED]</p> <p>Name: James Roth Position Category: Managing Director Telephone: [REDACTED] Mobile: [REDACTED] Email: [REDACTED]</p> <p>Name: Mike Roche Position Category: Managing Director Telephone: [REDACTED] Mobile: [REDACTED] Email: [REDACTED]</p> <p>Name: Bruce MacDiarmid Position Category: Managing Director Telephone: [REDACTED] Mobile: [REDACTED] Email: [REDACTED]</p>
19	Specified Timeframes	<p>July 2014 – November 2014: Scoping Study (Phase One)</p> <p>November 2014 – March 2015: Govt Consideration of Scoping Study</p>

		March 2015: NSW State Election
		April 2015 – onwards: Phase Two

<p>PART C: AGREED CHANGES TO THE OPERATIVE PROVISIONS (Terms and Conditions)</p>

END OF THE AGREED CHANGES TO THE OPERATIVE PROVISIONS

PART D: OPERATIVE PROVISIONS (Terms and Conditions)
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1. INTERPRETATION PROVISIONS

1.1 In this Agreement including the Recitals, unless the context otherwise require:

“ACDC” means the Australian Commercial Disputes Centre;

“Agreement” means this Agreement including:

- (a) PART A: Parties, Recitals and Execution Clauses; PART B: Project Details; Part C: Agreed Changes to the Operative Provisions; and Part D: Operative Provisions;
- (b) the Schedules and Annexures;
- (c) the Request for Proposals; and
- (d) the Consultant's Proposal;

“Annexure” means an annexure to this Agreement;

“Commencement Date” means the date specified in Item 3 of Part B: Project Details.

“Confidential Information” means, in connection with the Project, any information and all other knowledge at any time disclosed (whether in writing or orally) to the Consultant by or on behalf of the Principal, or acquired by the Consultant in performing the Services which:

- (a) is by its nature confidential;
- (b) is designated, or marked, or stipulated as confidential;
- (c) the Consultant knows or ought to know is confidential;

and includes but is in no way limited to

- (d) the Contract Material;
- (e) the Principal's Material;
- (f) any material which relates to the affairs of a third party;

but does not include information which:

- (g) is or becomes public knowledge other than by breach of this Agreement or by reason of a permitted recipient (within the meaning of Clause 10) breaching its obligations referred to in Clause 10.4;
- (h) is in the lawful possession of the Consultant without restriction in relation to disclosure before the date of receipt of the information from the Principal or a third party;
- (i) has been developed or acquired by the Consultant independently of the carrying out of the Services;
- (j) is ascertainable through independent enquiries;
- (k) maybe or is required to be disclosed pursuant to Memorandum No. 2000-11 Disclosure of Information on Government Contracts with the Private Sector dated 27 April 2000, as amended or updated from time to time; or
- (l) is required to be disclosed pursuant to law, regulation, legal process or a regulatory authority;

“Consultant” means the party as defined in Item 1 in Part B: Project Details and includes the officers, employees, agents and sub-contractors of the Consultant;

“Consultant’s Representative” means the person named in Item 14 of Part B: Project Details or such other person as the Consultant may, from time to time, nominate in writing;

“Contract Material” means:

- (a) any Material created, written or otherwise brought into existence by or on behalf of the Consultant in the course of performing this Agreement in which subsists newly created Intellectual Property rights (“New Contract Material”); and
- (b) any Material which exists at the date of this Agreement and which is incorporated with the New Contract Material (“Existing Contract Material”);

“Existing Contract Material” has the meaning given to this term in the definition of “Contract Material”;

“Fee” means the fee(s) as referred to in Clause 6.1 and Item 5 of Part B: Project Details;

“GST” has the meaning given to this term in the GST Law;

“GST Law” means *A New Tax System (Goods & Services Tax) Act 1999*, related legislation and any delegated legislation made pursuant to such legislation;

“Intellectual Property” includes patent, know-how, copyright, design, semi-conductor or circuit layout rights, trade mark, trade, business or company names or other proprietary rights and any rights to registration of such rights, whether created before or after the Commencement Date in Australia or elsewhere;

“Material” includes, but is not limited to, software, documentation, information or data, whether or not in material form;

“Moral Rights” means the right of integrity of authorship, the right of attribution of authorship and the right not to have authorship falsely attributed, more particularly as conferred by the *Copyright Act 1968* (Cth), and rights of a similar nature anywhere in the world whether existing at the Commencement Date or which may come into existence on or after the Commencement Date;

“New Contract Material” has the meaning given to that term in the definition of “Contract Material”;

“Party” means the Principal or the Consultant as the context dictates and “Parties” mean both of them;

“Payment Schedule” means the schedule for the payment of the Fee set out as summary in Item 5 of Part B: Project Details and in more detail in Schedule 3 (Fee/Consultant Budget) and subject to the Consultant's continued compliance with this Agreement. The Fee (including disbursements) is payable within 30 business days of receipt of an itemised tax invoice by the Consultant which complies with Clause 6 of this Agreement, to be issued on a monthly basis or as otherwise agreed by the parties;

“Personal Information” means information or an opinion (including information or an opinion forming part of a database) whether true or not and whether recorded in a material form or not, about an individual whose identity is apparent or can reasonably be ascertained from the information or opinion;

“Principal's Material” means any Material supplied by or on behalf of the Principal to the Consultant by whatever means in relation to this Agreement;

“Principal's Representative” means the person named in Item 15 of Part B: Project Details or such other person as the Principal may, from time to time, nominate in writing;

“Project” means the project defined in Item 6 of Part B: Project Details;

“Project Objectives” mean the objectives of the Project set out in Item 9 of Part B: Project Details;

“Consultant’s Proposal” means the proposal or tender as specified in Item 8 of Part B: Project Details submitted by the Consultant in answer to the Request for Proposals as specified in Item 7 of Part B: Project Details, a copy of which is annexed to this Agreement and marked Schedule 2;

“Related Body Corporate” has the meaning given to that term in the Corporations Act 2001 (Cth)

“Relevant Party/ies” means those parties as defined in Item 10 of Part B: Project Details;

“Request for Proposals” means the Request for Proposals (RFP) as specified in Item 7 of Part B: Project Details and annexed to this Agreement and marked Schedule 1;

“Services” mean:

- (a) the services to be provided by the Consultant described in the Request for Proposals, the Consultant’s Proposal and in this Agreement;
- (b) all reports and other services to be provided by the Consultant to achieve the Project Objectives; and
- (c) any other service relating to the Project required by the Principal from time to time;

“Schedule” means a schedule to this Agreement;

“Specified Personnel” means the key personnel specified in Item 18 of Part B: Project Details required to undertake the Services or part of the work constituting the Services or such other personnel as the Principal agrees in writing, to perform the Services;

“Specified Timeframes” means the timeframe for the performance of the Services specified in Item 19 of Part B: Project Details;

“Supply” has the same meaning given to it in the GST Law; and

“Term” means the period referred to in Item 4 of Part B: Project Details unless this Agreement is earlier terminated;

“Third Interested Party/ies means those parties as defined in Item 10 of Part B: Project Details.

- 1.2 Except where the context otherwise requires a reference in this Agreement to:
- (a) the singular number includes a reference to a plural number and vice versa;
 - (b) a gender includes a reference to the other genders and each of them;
 - (c) any person or company shall mean and include the legal personal representative, successor in title, and permitted assigns of such person or company as the circumstances may require;
 - (d) a company includes a corporation and person and vice versa;
 - (e) any organisations, associations, societies, groups or bodies shall, in the event of them ceasing to exist or being reconstituted, renamed or replaced or if the powers or functions of any of them are transferred to any other entity, body or group, refer respectively to any such entity, body or group, established or constituted in lieu thereof or succeeding to similar powers or functions;
 - (f) statutes, regulations, ordinances or by-laws shall be deemed for all purposes to be extended to include a reference to all statutes, regulations, ordinances or by-laws amending, consolidating or replacing same from time to time; and
 - (g) a month shall be construed as a reference to a calendar month.
- 1.3 Monetary references are references to Australian currency.
- 1.4 A business day means any day which is not a Saturday, Sunday or public holiday in the State of New South Wales.
- 1.5 Where any time limit pursuant to this Agreement falls on a Saturday, Sunday or public holiday in the State of New South Wales then that time limit shall be deemed to have expired on the next business day.
- 1.6 Where any covenant, condition, agreement, warranty or other provision of this Agreement expressly or impliedly binds more than one person then it shall bind each such person separately and all such persons jointly.

- 1.7 Where a word or phrase is given a defined meaning in this Agreement, any other part of speech or other grammatical form in respect of such word or phrase shall unless the context otherwise requires have a corresponding meaning.
- 1.8 The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.
- 1.9 No rule of construction operates to the detriment of a Party only because that Party was responsible for the preparation of this Agreement or any part of it.
- 1.10 Where there occurs a reference to the doing of anything by the Principal including giving any notice, consent, direction or waiver, this may be done by any duly authorised officer of the Principal.
- 1.11 Where the Principal is required to act reasonably in the performance of this Agreement, that shall be read as a requirement to act as would a party in the position of the Principal which is acting reasonably in its own best interests.

2. TERM

- 2.1 This Agreement commences on the Commencement Date and will continue for the Term.
- 2.2 The Principal engages the Consultant during the Term to provide the Services, to achieve the Project Objectives and to carry out other tasks described in the Request for Proposals in accordance with this Agreement.
- 2.3 The Consultant acknowledges and agrees that the Principal may engage other persons to provide the same or similar services to the Services.

3. THE CONSULTANT'S OBLIGATIONS

Due Diligence

- 3.1 The Consultant shall perform the Services diligently, in accordance with the Specified Timeframes and with all necessary skill and care expected in the provision of such Services.

Methodology

- 3.2 In the performance of the Services, the Consultant shall adopt the approach and use the methodology, if any, described in the Request for Proposals and in the Proposal.

Knowledge of Principal's Requirements, Co-operation, and Provision of Information and Assistance

3.3 The Consultant must:

- (a) use all reasonable efforts to inform itself of the ongoing requirements of the Principal in performing the Services;
- (b) regularly liaise, consult and/or meet with the Principal or its representatives in order for the Principal to inspect, discuss or assess the provision of the Services;
- (c) consult, co-operate and confer with others as reasonably directed by the Principal; and
- (d) provide all relevant documentation, detailed briefings and other assistance to persons or bodies who may be appointed by the Principal to provide advice in relation to the Project, as directed by the Principal.

Specified Personnel

- 3.4
- (a) The Consultant shall engage the Specified Personnel to carry out the Services.
 - (b) The Consultant will ensure that the Specified Personnel (and any other personnel approved by the Principal and undertaking work in respect of the Services) will not be hindered or prevented in any way in the performance of their duties including but not limited to being removed from the performance of the Services or being requested to perform services which in any way interfere with their due performance of the Services.
 - (c) Where any Specified Personnel or other personnel is unable to undertake work due to illness or other incapacity or resignation from employment with the Consultant, the Consultant will notify the Principal immediately and the Consultant will (at its own cost) provide replacement personnel at the earliest opportunity. All temporary or substitute personnel must be approved in writing by the Principal, which approval may be given or withheld in the Principal's absolute discretion. In giving its approval, the Principal may impose such conditions as it sees fit.
 - (d) Notwithstanding any other provision contained in this Agreement, the Consultant acknowledges and agrees that subclause (a) is a fundamental term of this Agreement and in the event of termination or

resignation of a member of the Specified Personnel, the Principal has the right to terminate this Agreement in accordance with Clause 19.1

Reports

3.5 The Consultant agrees to provide:

- (a) progress reports of the Project containing such information as may be agreed between the Consultant's Representative and the Principal to each Steering Committee meeting; and
- (b) such other reports, containing the information, in the format and on such dates as reasonably required by the Principal from time to time.

Principal's Material

3.6 The Consultant accepts all responsibility for the secure guardianship of the Principal's Material and agrees that it will not, except in the course of or as a necessary or desirable part of the Services, make any (or any substantial) alteration to the Principal's Material without the prior written consent of the Principal.

Assignment and Sub-contracting

- 3.7
- (a) Subject to Clause 3.4 the Consultant acknowledges and agrees that it may not assign and/or sub-contract the whole or any part of this Agreement without the prior written approval of the Principal, which approval may be given or withheld in the Principal's absolute discretion. Any approval given by the Principal to sub-contract any part of the Services does not relieve the Consultant from its liabilities or obligations under this Agreement and the Principal may, in giving its approval, impose such conditions as it sees fit.
 - (b) Without limiting the generality of subclause (a), notwithstanding any consent given by the Principal, the Consultant will be responsible for ensuring the suitability of any sub-contractor for the work proposed to be carried out and for ensuring that the work proposed to be carried out by the sub-contractor meets the requirements of this Agreement.
 - (c) The Consultant agrees and acknowledges that it will be liable to the Principal for any negligent, wilful or reckless acts, defaults or omissions of any sub-contractor or any employee or agent of the sub-contractor as fully as if they were the negligent, wilful or reckless acts, defaults or omissions of the Consultant or the employees or agents of the Consultant.

- (d) Prior to any sub-contractor or any employee or agent of the sub-contractor commencing work in respect of the Services, the Consultant will obtain from that person, and provide to the Principal, a written assignment from the person to the Principal of the Intellectual Property created as a result of the person performing that work.
- (e) The Consultant will ensure that a sub-contractor is aware of all the terms and conditions of the Agreement relevant to the sub-contractor's part in the performance of the Agreement. If so requested by the Principal, the Consultant will obtain from the sub-contractor a signed statutory declaration substantially in the form appearing at Schedule 4 (Statutory Declaration by Sub-contractor) prior to the commencement of any work under this Agreement by that sub-contractor and upon request by the Principal, will provide any statutory declaration so obtained to the Principal.

Compliance with Law

3.8 The Consultant must:

- (a) comply with all applicable standards, laws and regulations including but not limited to complying with its obligations (if any) under or arising pursuant to the *Privacy Act 1988* (Cth), *Privacy and Personal Information Protection Act 1998* (NSW) and other State legislation relating to privacy to the extent that such legislation is relevant to this Agreement and/or the performance of the Services;
- (b) comply with all relevant government policies and guidelines relevant to this Agreement and/or the performance of the Services;
- (c) not do anything that would cause the Principal to breach its obligations under any such legislation, government policies or guidelines.

3.9 The Consultant must hold all necessary approvals, licences and permits required to provide the Services and otherwise fulfil its obligations under this Agreement.

4. PRINCIPAL'S OBLIGATIONS

4.1 The Principal will as soon as practicable, or as required by this Agreement:

- (a) make or arrange to make available to the Consultant all relevant instructions, information, documentation or data or any other material as is necessary for the performance of the Services; and

- (b) provide assistance to the Consultant, as reasonably required, so that the Consultant may competently perform its duties under this Agreement.

4.2 The Consultant agrees and acknowledges that the Principal's provision of information and assistance in accordance with Clause 4.1 is by way of assistance only and cannot in any way be deemed to give rise to a duty of care on the part of the Principal. The Consultant must rely on its own professional and personal expertise in providing the Services.

5. REPRESENTATIVES

5.1 The Consultant's Representative is the representative of the Consultant in respect of the provision of the Services and will, except to the extent otherwise provided for in this Agreement, liaise with the Principal in all matters relating to this Agreement. Any substituted representative must be agreed to in writing by the Principal.

5.2 The Principal's Representative will act as the Principal's representative in connection with this Agreement.

6. FEE

6.1 Subject to Clause 6.2, the Principal will, in consideration of the Consultant performing the Services, pay to the Consultant the Fee in accordance with the Payment Schedule.

6.2 Payment of the Fee or any instalment thereof by the Principal is subject to:

- (a) satisfactory progress in the performance of the Services (including, without limitation, the provision of any progress reports) in accordance with the Specified Timeframes or otherwise as agreed between the Consultant's Representative and the Principal's Representative; and

- (b) the provision of an appropriate tax invoice before the due date for the payment of the Fee or the relevant instalment of the Fee.

6.3 The Principal will only reimburse the Consultant any reasonable costs, expenses, fees or charges incurred by the Consultant in connection with this Agreement and not already included in the Fee/Consultant's proposed budget set out in Schedule 3 where the Consultant has obtained the Principal's prior written approval to incur such costs, expenses, fees or charges. The Principal's approval may be given or withheld in the Principal's absolute discretion.

- 6.4 The Consultant agrees and acknowledges that the Principal may deduct from the amounts otherwise payable to the Consultant any amount due from the Consultant to the Principal in connection with the provision of the Services.
- 6.5 The parties agree that, in order to maximise value for money for the Principal, they will from time to time renegotiate the fee structure or any portion thereof. The parties agree to negotiate with each other in good faith. The parties may agree, without limitation, to capped fees for specified project tasks, or discounted fees for resource intensive tasks.

7. GST

- 7.1 In the event that any of the prices for Supplies made under this Agreement are expressed as being inclusive of GST, Clause 7.2 will not apply in respect of those Supplies.
- 7.2 If any Party to this Agreement (the "GST Supplier") is or becomes liable to pay GST in connection with any Supplies made under this Agreement:
- (a) the GST Supplier may add to the price of all Supplies the amount of GST for which the GST Supplier is or becomes liable in respect of those Supplies, as calculated by the GST Supplier in accordance with the GST Law;
 - (b) the Party providing consideration for the Supplies (the "Recipient") will pay the amounts or provide any other consideration required to be provided under other provisions of this Agreement for the Supplies ("agreement price") plus the calculated amount in respect of GST;
 - (c) subject to subclause (d), the additional amounts shall be payable at the same time or times as the agreement price is required to be provided to the GST Supplier under the other provisions of this Agreement;
 - (d) if the time required by subclause (c) for payment of the additional amounts is at a time prior to the commencement of the tax period in respect of which the GST Supplier will be required to include the GST on that supply in the GST Supplier's GST return, subclause (c) will not apply to that additional amount and instead the additional amount will be payable not less than ten (10) business days prior to the date upon which the GST Supplier is required to lodge its GST return for that tax period.
- 7.3 The GST Supplier will issue a tax invoice which enables the Recipient, if permitted by the GST Law, to claim a credit or refund of GST on or before the date that the Recipient is required to pay the additional amounts calculated

pursuant to Clause 7.2 or the GST component of the price for the Supplies referred to in Clause 7.1.

7.4 If, for any reason, the GST Supplier's GST liability in respect of a particular Supply is varied from the additional amount paid by the Recipient under Clause 7.1 or Clause 7.2 the GST Supplier shall repay to the Recipient the amount of any excess paid by the Recipient above the GST Supplier's GST liability or the Recipient shall pay the deficiency in the amount previously paid by the Recipient to the GST Supplier for that Supply as appropriate.

7.5 Each Party warrants that at the time any taxable Supplies are made under this Agreement, that Party is or will be registered under the GST Law.

8. EXTENSION OF TIME

8.1 Where in the Consultant's reasonable opinion there is likely to be a delay in the Consultant discharging an obligation under this Agreement because of a cause beyond the reasonable control of the Consultant (except a cause arising out of any act or omission on the part of the Consultant's employees, agents or sub-contractors or their employees or agents) which the Consultant considers justifies an extension of the time specified in this Agreement, the Consultant will:

- (a) as soon as possible and in any event within 7 days of becoming aware of the possibility of such a delay, notify the Principal, in writing, of the facts and circumstances which the Consultant considers will give rise to such a delay and the extent or likely extent of the delay and develop strategies to manage the consequences of the delay; and
- (b) immediately after the circumstances causing the delay have ceased, notify the Principal, in writing, of the period of delay so caused, give details of the likely effect on this Agreement and request an extension of time which the Consultant considers reasonable in all the circumstances.

8.2 Where the Principal:

- (a) agrees that the delay has reasonably arisen from a cause beyond the reasonable control of the Consultant, the Principal will not refuse a request for extension of time without reasonable grounds for doing so; or
- (b) considers that the delay has arisen from a cause within the reasonable control of the Consultant, the Principal may refuse the Consultant's

request for extension of time and reserves its rights under Clause 19.1 without prejudice to any accrued rights or remedies of the Principal.

9. VARIATIONS

- 9.1 The Principal may, in writing in the form as outlined in Schedule 9 (Variation Statement of Works Form), request the Consultant to vary the Services. The Consultant must respond within a reasonable time and subsequently provide a quotation in accordance with Clause 9.2
- 9.2 Before approving a variation requested under Clause 9.1 the Principal must have been provided by the Consultant with a written quotation of the time, cost and programming effects of the proposed variation. On receipt of a quotation, the Principal, if it wishes the variation to proceed, must approve the variation in writing to the Consultant.
- 9.3 Fees for varied Services will be in accordance with the quotation supplied by the Consultant under Clause 9.2 or as otherwise agreed in writing between the Parties.

10. CONFIDENTIALITY

- 10.1 The Consultant:
- (a) must not disclose any Confidential Information to any person without the prior written consent of the Principal; and
 - (b) must take reasonable steps to ensure that the Confidential Information in its possession is kept confidential and protected against unauthorised use and access.
- 10.2 The Consultant agrees to use the Confidential Information solely for the purposes of the Services and for no other purpose.
- 10.3 Notwithstanding Clause 10.1, the Consultant may disclose Confidential Information to its Related Bodies Corporate and the officers, employees and permitted sub-contractors of it or its Related Bodies Corporate ("permitted recipient") where such disclosure is essential to carrying out their duties or in accordance with this Agreement.
- 10.4 Before disclosing the Confidential Information to a permitted recipient, the Consultant will ensure that the permitted recipient is aware of the confidentiality requirements of this Agreement and is advised that he, she or it is strictly forbidden from disclosing the Confidential Information or from using the Confidential Information other than as permitted by this Agreement. The

Principal may, at its sole discretion and at any time, require the Consultant to arrange for a permitted recipient to execute a deed (in the form set out in Schedule 6 (Confidentiality and Privacy Deed), Schedule 7 (Confidentiality and Privacy Deed Poll) or in such form as may be reasonably required by the Principal) relating to the non-disclosure and use of the Confidential Information and the Consultant will promptly arrange for such deed to be executed and provided to the Principal.

- 10.5 The Confidential Information must not be copied or reproduced by the Consultant and/or the permitted recipient without the express prior written permission of the Principal, except for such copies as may be reasonably required to accomplish the purpose for which the Confidential Information was provided pursuant to this Agreement.
- 10.6 If any person, being any partner, officer, agent, consultant, sub-contractor or employee of the Consultant or Related Body Corporate, who has had access to the Confidential Information in accordance with this Agreement leaves the service or employ of the Consultant then the Consultant will procure that that person does not do or permit to be done anything which, if done or permitted to be done by the Consultant, would be a breach of the obligations of the Consultant under this Agreement.
- 10.7 Without limiting this Clause 10 or the definition of Confidential Information, all information at any time disclosed (whether in writing or orally) to the Consultant or acquired by the Consultant in performing the Services with respect to, or in connection with, the Project and the affairs of those Third Interested Party/ies, will be Confidential Information. If required by the Principal, the Consultant will execute a deed or deed poll, or arrange for any permitted recipient to execute a deed or deed poll, (in the form set out in Schedule 6 (Confidentiality and Privacy Deed), Schedule 7 (Confidentiality and Privacy Deed Poll) or in such form as may be reasonably required by the Principal) relating to the non-disclosure and use of such Confidential Information and the Consultant will promptly arrange for such deed or deed poll to be executed and provided to the Principal.

11. PRIVACY AND DISCLOSURE OF PERSONAL INFORMATION

- 11.1 Where the Consultant has access to Personal Information in order to fulfil its obligations under this Agreement, it must:
 - (a) where the Consultant is responsible for holding the Personal Information, ensure that Personal Information is protected against loss and against unauthorised access, use, modification or disclosure and against other misuse;

- (b) not use Personal Information other than for the purposes of the Agreement, unless
 - (i) required or authorised by law; or
 - (ii) authorised in writing by the individual to whom the Personal Information relates but only to the extent authorised;
- (c) not disclose Personal Information without the prior written agreement of the Principal or the prior written agreement of the individual to whom the Personal Information relates, unless required or authorised by law. The Principal may, at its sole discretion and at any time, require the Consultant to arrange for a permitted recipient to execute a deed (in the form set out in Schedule 6 (Confidentiality and Privacy Deed), Schedule 7 (Confidentiality and Privacy Deed Poll) or in such form as may be required by the Principal) relating to the non-disclosure and use of the Personal Information and the Consultant will promptly arrange for such deed to be executed and provided to the Principal;
- (d) ensure that only authorised personnel have access to Personal Information;
- (e) immediately notify the Principal if:
 - (i) the individual to whom the Personal Information relates authorises the Consultant to use his/her Personal Information for other purposes;
 - (ii) the individual to whom the Personal Information relates consents to the Consultant disclosing of his/her Personal Information; and/or
 - (iii) it becomes aware that a disclosure of Personal Information is, or may be required or authorised by law;
- (f) make its employees, agents and sub-contractors aware of the Consultant's obligations under this clause including, when requested by the Principal, requiring those employees, agents and sub-contractors to promptly sign a suitable privacy deed relating to Personal Information in the form of Schedule 6 (Confidentiality and Privacy Deed); and
- (g) comply with such other privacy and security measures as the Principal reasonably advises the Consultant in writing from time to time.

- 11.2 The Consultant must immediately notify the Principal upon becoming aware of any breach of Clause 11.1

12. COPYRIGHT AND INTELLECTUAL PROPERTY

- 12.1 The Consultant agrees and acknowledges that ownership of Intellectual Property rights in or in relation to New Contract Material vests upon its creation in the Principal. The Consultant, upon request by the Principal, undertakes and agrees, at its own cost, to do all things necessary and execute all documents to permit the vesting of ownership and title of Intellectual Property in the Principal including, without limitation, obtaining from any sub-contractor, a written assignment to the Principal of the Intellectual Property rights created as a result of the person performing any part of the Services.
- 12.2 If ownership of or title in Intellectual Property in relation to New Contract Material is not capable of being vested in the Principal under Clause 12.1 because the Consultant itself does not own, and is unable at a reasonable cost to obtain ownership of, that Intellectual Property, the Consultant must at its own cost ensure that the Principal is suitably and irrevocably licensed to use and to sub-license the use of that New Contract Material or that Intellectual Property. In addition, the Consultant must at its own cost ensure that any other persons or bodies appointed by the Principal to provide advice in relation to the Project (defined as "Other Advisors" for the purposes of this Clause 12) are suitably and irrevocably licensed to use and to sub-license the use of that New Contract Material or that Intellectual Property at the direction of the Principal, but only for the purposes of the Project.
- 12.3 This Agreement does not affect the Intellectual Property rights of the Consultant and/or third parties in Existing Contract Material and the Consultant hereby grants, and ensures that relevant third parties grant to the Principal (and to Other Advisors, but only for the purposes of the Project), without additional cost, a non-exclusive, irrevocable, transferable licence to use, reproduce, communicate to the public and adapt for its own purposes (but in the case of Other Advisors, only for the purposes of the Project) all those Intellectual Property rights but only as part of the Contract Material and any development of that material.
- 12.4 The Consultant must ensure all licence fees and/or consents required under law are paid and/or obtained as a result of any reproduction, adaptation or use of any Intellectual Property or Contract Material necessary for the provision of the Services.

- 12.5 Unless it has obtained the prior written approval of the Principal to do otherwise, the Consultant must ensure that the Contract Material is used, copied, supplied or reproduced only for the purposes of this Agreement. The approval of the Principal may be given or withheld in its absolute discretion and may be subject to such terms and conditions as the Principal considers appropriate.
- 12.6 (a) The Consultant must hold or obtain consents from all authors of Existing Contract Material to its use and adaptation by the Consultant and the Principal (and Other Advisors, at the direction of the Principal), without restriction and without any requirement to attribute the Existing Contract Material to its authors.
- (b) Where the Consultant is an individual, the Consultant consents to any acts or omissions of the Principal (and those of Other Advisors, at the direction of the Principal) in the exercise of the rights granted under Clauses 12.1 to 12.6 that might otherwise constitute an infringement of the Consultant's Moral Rights.
- (c) Without limiting subclause (b), the Consultant consents, in relation to the New Contract Material not to be named as the author or creator of the works comprised in the New Contract Material or, at the Principal's discretion, to being attributed as author of the works comprised in the New Contract Material in a form and manner acceptable to the Principal.
- (d) Prior to an individual commencing work in respect of the New Contract Material on behalf of the Consultant, the Consultant must obtain from that individual, in writing, and provide to the Principal, upon request all consents, permissions and assignments to enable the Principal (and Other Advisors, at the direction of the Principal) to exercise in full, without cost to the Principal (or other Advisors) and without impediment, the rights granted under this Clause 12.6.

13. CONFLICT OF INTEREST

- 13.1 The Consultant represents and warrants that at the date of this Agreement, no conflict of interest exists or is likely to arise in the performance of the Services. The Consultant must not, in the course of performing the Services, engage in any activity or obtain any interest likely to give rise to a conflict of interest. The Consultant must notify the Principal, in writing, immediately upon becoming aware of the existence, or possibility, of a conflict of interest.
- 13.2 On receipt of a notice under Clause 13.1 the Principal may:

- (a) approve the Consultant continuing to perform the Services, which approval may be subject to reasonable conditions to ensure appropriate management of the conflict; or
 - (b) where in the Principal's reasonable view the conflict of interest cannot be appropriately managed, exercise its rights of termination under this Agreement.
- 13.3 For the avoidance of doubt and without limiting the types of situations that constitute a conflict of interest, this Clause prevents the Consultant from providing advice (either directly or indirectly) relating to the Project to any potential bidders, purchasers, lessees, financiers and other parties.

14. WARRANTIES, INDEMNITY AND RELEASE

- 14.1
 - (a) The Consultant warrants that all personnel engaged in the performance of the Services are appropriately qualified, competent and experienced.
 - (b) The Consultant warrants that it will not, in carrying out the Services, infringe or breach or permit or suffer to be infringed or breached any Intellectual Property rights of any third party.
 - (c) The Consultant warrants and undertakes that all work done in connection with the Services will comply and conform with all applicable legislation and any regulations, by laws, ordinances, or orders made under such legislation as well as any applicable codes of conduct, policies, guidelines, quality assurance standards and all relevant Australian standards applicable to the Services.
- 14.2 The Consultant must indemnify and keep indemnified the Principal and its officers, employees and agents ("those indemnified"), from and against all actions, proceedings, claims, demands, costs, losses, damages and expenses (including reasonable legal costs and expenses), which may be brought against, made upon, or suffered or incurred by any of those indemnified arising directly or indirectly as a result of or in connection with:
 - (a) any infringement or alleged infringement of any Intellectual Property rights (including Moral Rights) by the Consultant or any of its officers, employees, agents and/or sub-contractors in connection with the provision, supply or use of the Services or any Contract Material provided under this Agreement;
 - (b) the provision of the Services to the extent that the same is due to a negligent, wilful or reckless act, default or omission of the Consultant or any of its officers, employees, agents and/or sub-contractors; and/or

- (c) any act or omission of the Consultant or any of its officers, employees, agents and/or sub-contractors resulting in personal injury to or the death of any person, or the loss of or damage to property,

and the Consultant hereby agrees to release and discharge the Principal from any actions, proceedings, claims or demands which, but for this provision, might be brought or made against or upon the Principal.

- 14.3 The Consultant's liability to indemnify those indemnified under this Agreement shall be reduced proportionally to the extent that any unlawful, wrongful, wilful or negligent act or omission of those indemnified caused or contributed to the liability or loss.

15. MINIMUM INSURANCE REQUIREMENTS

- 15.1 Without limiting the Consultant's obligations under this Agreement, the Consultant will, during the continuance of this Agreement and for a period of 3 years after its expiration or termination, take out and maintain with a reputable insurance company the following insurance policies:

- (a) a broad form public liability policy of insurance in the amount of not less than the amount specified in Item 12 of Part B: Project Details in respect of each and every occurrence and unlimited in the aggregate for any one period of cover;
- (b) workers' compensation insurance in accordance with applicable legislation in respect of all employees of the Consultant; and
- (c) a professional liability policy of insurance in the amount of not less than the amount specified in Item 13 of Part B: Project Details in respect of each and every occurrence and for any one period of cover.

- 15.2 The Consultant will produce to the Principal satisfactory evidence that the Consultant has effected and renewed the insurance policies required under Clause 15.1 of this Agreement. The initial Certificates of Currency are attached in Schedule 5 (Insurance Certificates of Currency) and Certificates of Currency for renewed insurance policies are to be attached to that Schedule as soon as practical after they have been renewed.

16. KEEPING OF RECORDS AND AUDIT

- 16.1 The Consultant must:
 - (a) keep proper accounts, records (including information stored by computer and other devices) and time sheets in accordance with the

accounting principles generally applied in commercial practice in respect of its time charge billing, its expenditure and fees and amounts payable to others properly engaged pursuant to this Agreement and retain the same for a period of 7 years; and

- (b) keep the operational records and project data relating to the provision of the Services securely and in a form and manner as to facilitate access and inspection under Clause 16.2 and retain the same for a period of 5 years.

16.2 The Consultant must during the Term and for the periods specified in Clause 16.1(a) or 16.1(b) following the expiration or termination of this Agreement in relation to the materials specified in the relevant Clauses:

- (a) make available to or provide the Principal (or its nominee) with access to or copies of any Contract Material, records or other information relating to the Project which may be required by the Principal within a reasonable time of any request; and
- (b) participate promptly and cooperatively in any external review or audits conducted or instigated by the Principal, a NSW Government department or agency, the NSW Parliament or any other review or audits conducted or instigated by any other government.

17. DISPUTE RESOLUTION

17.1 The Parties shall attempt to settle a dispute in relation to this Agreement using the dispute resolution process provided for in this Agreement before resorting to court proceedings, provided however, nothing in this Clause will preclude either Party from seeking urgent interlocutory relief.

17.2 If the Principal requests it, the Consultant must continue performing this Agreement while a dispute is being dealt with in accordance with this Clause 17, other than the Services (or part thereof) the subject of the dispute, to the extent practicable to do so.

17.3 A Party claiming that a dispute has arisen must give written notice of the dispute to the other Party. The Parties must endeavour in good faith to resolve the dispute within 14 days of receipt of a notice of dispute.

17.4 If a dispute is not resolved within the 14 day period or such further period as the Parties agree in writing, the dispute shall be referred to the ACDC for mediation in accordance with the ACDC's 'Mediation Guidelines for Commercial Mediation' which are operating at the time the matter is referred to the ACDC. The ACDC's mediation guidelines set out the procedures to be

adopted, the process of selection of the mediator and the costs involved. The terms of the ACDC's mediation guidelines are hereby deemed incorporated into this Agreement .

17.5 The Parties shall do all things reasonably required to refer the dispute to mediation by ACDC.

17.6 In the event that the dispute has not been settled within 28 days (or such other period as agreed to in writing between the Parties) after the appointment of a mediator, or if no mediator is appointed within 28 days of the referral of the dispute to mediation, the Parties are free to pursue any other procedures available at law for the resolution of the dispute.

18. TERMINATION FOR CONVENIENCE

18.1 The Principal may, at any time terminate this Agreement for convenience, by giving 7 days' notice in writing to the Consultant, such termination being effective upon expiry of this 7 day period.

18.2 If the Principal terminates this Agreement for convenience:

- (a) the Principal will pay the Consultant any unpaid Fees which relate to Services properly performed up to the date of termination, less any amounts payable by the Consultant to the Principal under Clause 20.1 in relation to pre-paid amounts.
- (b) the Principal will reimburse the Consultant its unavoidable costs and expenses directly incurred as a result of termination provided that any claim by the Consultant:
 - (i) does not exceed an amount of the cap on reimbursable unavoidable costs in the event of termination for convenience, as specified in Item 11 of Part B: Project Details;
 - (ii) is supported by satisfactory written evidence of the costs claimed; and
 - (iii) will be in total satisfaction of the liability of the Principal to the Consultant in respect of this Agreement and its termination.
- (c) the Consultant must do everything reasonably possible to prevent or otherwise mitigate any losses resulting to the Consultant from the termination.

19. TERMINATION FOR CAUSE

19.1 The Principal may, by notice in writing to the Consultant, immediately terminate this Agreement if the Consultant:

- (a) commits a material breach of this Agreement which, in the Principal's opinion, is not capable of being remedied;
- (b) fails to remedy a material breach which, in the Principal's opinion is capable of being remedied, within 7 days of receiving notice from the Principal requiring it to remedy that breach, or such longer period as the Principal may reasonably allow having regard to the nature of the breach and a reasonable time to remedy it;
- (c) is declared bankrupt or bankruptcy proceedings have commenced against the Consultant or it becomes subject to any form of insolvency administration; or
- (d) is the subject of proceedings or investigations commenced or threatened by the Independent Commission Against Corruption, the police service or similar public body; or
- (e) if clause 13.2(b) (Conflict of Interest) applies.

19.2 If the Principal terminates this Agreement for cause the Principal may:

- (a) contract with any other person to complete the provision of Services;
- (b) deduct any loss or damages arising from or in connection with the termination (which may be as ascertained and certified by the Principal) from any money due, or which may become due, to the Consultant (whether under this Agreement or otherwise); and/or
- (c) recover in an appropriate court the balance of any outstanding loss or damage remaining unpaid as a debt due and payable by the Consultant to the Principal.

19.3 For the purposes of the termination provisions in the Agreement, the Consultant acknowledges that a series of minor breaches may constitute a "material breach".

20. CONSEQUENCE OF TERMINATION

20.1 Without limiting the Principal's rights in relation to this Agreement, if the Principal pre-paid any amounts to the Consultant for Services to be performed

which at the date of termination have not been performed and this Agreement is terminated for any reason:

- (a) the Consultant must refund to the Principal such prepaid amounts, within 7 days of termination of this Agreement; and
- (b) the Principal may recover in an appropriate court the balance of any prepaid amount not refunded as a debt due and payable by the Consultant to the Principal.

20.2 The Consultant must, except to the extent approved by the Principal in writing, deliver to the Principal, within 7 days of termination or expiry of this Agreement all Confidential Information of the Principal, all Personal Information, all the Principal's Material and Contract Material including copies of the same.

20.3 The provision dealing with the return of Materials upon termination or expiry of this Agreement does not prevent the Consultant from keeping a bona fide copy of the Contract Material for its records, subject to the confidentiality and privacy requirements contained in this Agreement.

20.4 Any termination of this Agreement is without prejudice to any accrued rights or remedies of either Party.

20.5 The covenants, conditions and provisions of this Agreement which are capable of having effect after the expiration of this Agreement shall remain in full force and effect following the expiration or termination of this Agreement.

21. GENERAL

21.1 The Consultant agrees to provide such assistance as may be reasonably requested by the Principal to publicise and promote the Project.

21.2 No failure or delay by the Principal in exercising any right, power or remedy under this Agreement and no course of dealing or grant by the Principal to the Consultant of any time or consideration or other indulgence, will operate as a waiver of the breach or a default by the Consultant. Any waiver by the Principal of a breach of this Agreement must be in writing and will not be construed as a waiver of any further breach of the same or any other provision.

21.3 If any part of this Agreement is prohibited, void, voidable, illegal or unenforceable, then that part is severed from this Agreement but without affecting the continued operation of the remainder of the Agreement.

- 21.4 Unless otherwise specifically provided for under this Agreement, any variation to the Agreement, including any variation to the Schedules, must be in writing and signed by both Parties.
- 21.5 The Consultant acknowledges and agrees that neither the Consultant nor any of the Consultant's officers, employees, and/or sub-contractors:
- (a) are or will be officers, employees, and/or partners of the Principal; and
 - (b) will represent that they are officers, employees, and/or partners of the Principal.
- 21.6 The Consultant acknowledges and agrees that neither the Consultant nor any of its officers, employees, or agents are or will be, or will represent that they are, agents of the Principal except as expressly authorised by the Principal.
- 21.7 Any communication to a Party to this Agreement:
- (a) must be in writing addressed to the intended recipient at the address shown in Item 16 of Part B: Project Details or the address last notified by the intended recipient to the sender; and
 - (b) will be deemed to be served:
 - (i) in the case of delivery in person - when delivered to the recipient's address for service and a signature received as evidence of delivery;
 - (ii) in the case of delivery by post, it will be deemed received within 3 business days of posting; or
 - (iii) if a communication is sent by facsimile and the sender's facsimile machine produces a transmission confirmation report indicating that the facsimile was sent to the addressee's facsimile machine, the report will be prima facie evidence that the facsimile was received by the addressee at the time indicated on that report;

provided however, if delivery or receipt of a communication is on a day which is a Saturday, Sunday, bank holiday or public holiday in the place to which the communication is sent or is later than 5 pm (local time in that place) it will be deemed to have been duly given or made at 9 am (local time at that place) on the next day which is not a Saturday, Sunday, bank holiday or public holiday in that place.

- 21.8 The Agreement constitutes the entire agreement between the Parties. Any prior arrangements, agreements, representations or undertakings are superseded.
- 21.9 This Agreement will be governed and construed in all respects in accordance with the laws of the State of New South Wales and the Parties hereby submit to the non-exclusive jurisdiction of the Courts of the State of New South Wales.

END OF THE OPERATIVE PROVISIONS

SCHEDULE 1:
Request for Proposals



**The
Treasury**

Request for Proposals for:

Financial Adviser – Electricity Networks Transaction

RFT ID: 329116

Proposals must be received by 11am, Wednesday 25 June 2014

Commercial-in-Confidence

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Annexure A – Draft Consultancy Agreement

1. INTRODUCTION

On 10 June 2014, the State Government announced that it would seek to unlock \$20 billion in infrastructure funding by undertaking a long-term lease of 49% of the State's electricity network businesses. This policy will be taken to the State Election in March 2015. No transaction will proceed until the Government receives an electoral mandate for the reform.

New South Wales Treasury (**'Treasury'**) is to procure, on behalf of the State of New South Wales, a Financial Adviser to assist with the detailed scoping and, subject to further decisions of Government, potential subsequent long-term lease of 49% of the NSW electricity networks businesses (**'the Project'**).

This Request for Proposals (**'RFP'**) includes background information, a description of the role and scope of services to be provided by the Financial Adviser and the requirements and criteria for parties wishing to submit Proposals for the Project (**'Respondents'**).

1.1. The Project

The Project is anticipated to be conducted in two phases:

1. Strategy phase: Scoping study, initial vendor due diligence and investigations of areas for business improvement (**'Phase One'**)
2. Transaction preparation and execution: Structuring for lease, final due diligence and executing the transaction (**'Phase Two'**)

At the conclusion of the strategy phase, the Government will consider the proposed next steps. Any decision to proceed with Phase Two is at the discretion of Government post the NSW State election in March 2015.

The State will consider proposals from appropriately qualified financial advisory firms seeking this mandate on a sole basis or jointly with another financial adviser. The State reserves the right to select a principal in whole or in part and to seek to appoint more than one financial adviser. Treasury is seeking to appoint Financial Advisers that can provide quality financial and project management services for the duration of the Project under a single mandate.

Respondents are invited to submit a proposal that covers both Phase One and Phase Two. The Financial Advisers will be appointed for Phase One, with the State to retain the right extend the appointment to Phase Two or to retender following the NSW State election in March 2015.

1.2. Project Objectives

The project objectives are to:

- maximise the financial return for the State
- minimise ongoing financial risks and liabilities for the State
- facilitate the continued efficient and reliable operation and development of the NSW electricity transmission and distribution network
- treat public sector employees fairly and equitably

- ensure that any residual liabilities that remain with the public sector (commercial and non-commercial) are minimised and that retained activities are effectively and efficiently managed
- complete the Project efficiently, within the timeframes determined by Government and in accordance with appropriate probity and accountability standards.

The Government has committed to a number of conditions on the lease including:

- \$20 billion will be invested in new productive infrastructure
- electricity network prices will be discounted by 1% off the forecasted regulated prices until 2019
- the jobs of permanent award employees will be protected and treated consistently with previous transactions
- the transaction will have no adverse impact on electricity reliability
- the regional presence of the network businesses will be maintained.

1.3. Project Governance

Treasury is the agency responsible for the delivery of the Project on behalf of the State, with input from advisers, the networks businesses and other public sector agencies.

A Steering Committee will be established to oversee the Project and Chaired by Treasury. Treasury will report to the Treasurer as Minister responsible for the Project, who in turn will take issues to Cabinet as required.

The Project will be supported by a dedicated transactions unit located within Treasury, which will work closely with the Financial Advisers and other advisers on a day-to-day basis.

A probity adviser will be appointed for the Project.

2. ROLE OF THE FINANCIAL ADVISERS

The Financial Advisers will be required to provide specialist advice within their area of expertise as well as having a lead role in project co-ordination and management.

2.1. Project Co-ordination and Management

The Financial Adviser's project co-ordination and management role, for both phases of the Project, includes:

- working closely with the transactions unit
- developing and maintaining a project plan, incorporating work streams and timetable
- developing and maintaining a project risk register
- providing regular updates to Treasury on the status of the Project and any timetable risks
- advising on management of stakeholder issues throughout the Project

- meeting and presenting to stakeholders, including the Treasurer, other Ministers and external parties
- participating in, co-ordinating, and providing secretariat services to project meetings, including Steering Committee meetings and working group meetings
- assisting with the selection of other advisers and service providers as required
- assisting with managing other advisers to ensure that the Project is achieved within an agreed time-frame efficiently and cost effectively, including:
 - advising on the scope of work for advisers
 - monitoring performance relative to the scope of work and overall Project Plan
 - ensuring adviser and business resources allocated to the Project are both necessary and sufficient
 - managing, scheduling and coordinating working groups and external advisers
- undertaking financial and commercial analysis and providing objective, balanced written and verbal advice with recommendations on specific issues as required by Treasury, with appropriate 'sign-offs'
- with Treasury, being the key point of contact for potential bidders, other market participants and regulators such as the Australian Competition and Consumer Commission (ACCC), the Australian Energy Regulator (AER) and the Foreign Investment Review Board (FIRB)
- assisting the State to establish structures, resourcing and processes to enable retained activities (if any) to be effectively and efficiently managed
- providing any other services related to the Project which could reasonably be required by Treasury

The Financial Advisers will be required to work in a collaborative team environment with the transactions unit, other public sector agencies, working groups, and other external advisers as required.

The Financial Advisers may be required to work with the Rebuilding NSW Consultation Group established by the Government to undertake a public information program, receive submissions from stakeholders and local communities and report to Government on the findings of the consultation.

The Financial Advisers may be required to appoint specialist advisers as sub-contractors if necessary, subject to approval by Treasury. Respondents are not, however, required to offer the services of specialist sub-contractors as part of their proposal. If required, specialist sub-contractors can be engaged at a later date.

2.2. Phase 1 – Scoping Study

The first phase of the engagement is to lead and manage the development of the scoping study. This will include co-ordinating input from other parties and stakeholders as required. The Financial Advisers will be responsible for preparing a scoping study report suitable for submission to the Government.

In preparing the scoping study report, the Financial Advisers should include consideration of:

- analysis of the industry and regulatory framework in which the businesses operate and the identification of policy issues requiring resolution to facilitate a transaction

- financial analysis of the businesses including, historical financial performance, benchmarking, review of forecast costs and revenues, corporate structure, staffing and industrial relations and areas for business improvement
- business structure/restructuring issues, including identification and analysis of:
 - regulatory and/or non-commercial functions (if any) that should be separated from the commercial operations of the electricity networks businesses
 - assets, rights and liabilities suitable for inclusion in the transaction
 - employee impacts and prospective industrial issues
 - post-transaction arrangements for managing residual business components not included in the transaction (if any)
- business preparation issues, including any restructuring, Board and management alterations and any matters for early attention consistent with improving commercial performance and business readiness
- analysis of alternative transaction strategies and structures, including analysis and recommendations on:
 - the proportion of Ausgrid, Endeavour Energy and TransGrid to be divested noting the Government's position of the State retaining an overall 51% ownership position of the electricity network businesses (together with the 100% owned Essential Energy)
 - long term lease structures and key terms and conditions and comparison with alternative approaches
 - sale methods (role of trade sales, IPOs and alternatives)
 - options to maximise value of a partial divestment
 - options for sequencing of the transaction
- recommended transaction program – structure, strategy, process marketing approach and timetable to meet the Government's objectives along with an outline of execution risks
- corporate finance issues including capital structure, cost of capital, valuation methodologies, indicative valuation of and the potential net proceeds to Government
- potential bidders, including the results of market soundings as appropriate
- financial market conditions, including assessment of the capacity of equity and debt markets to absorb the transaction and strategies to address constraints
- employee and industrial relations issues and strategies
- a stakeholder strategy and communications process, including employee related issues
- customer issues, including the potential for consumer benefits through the capping of network tariffs for a limited period
- issues that are best addressed through the enabling legislation
- potential competition issues, which may require liaising with the ACCC
- recommended structure for an entity established to hold the retained interest in the businesses which maximises and performance and ongoing returns to the State including for the 100% of Essential Energy that will be retained by the State
- contents of a shareholder agreement which appropriately balances Government and co-investor interests and maximises the value of the transaction for the State

- the results of the first stage due diligence reports

2.3. Phase 2 – Preparation and Execution (subject to Government decision to proceed)

The second phase is to lead and manage the transaction preparation and execution tasks. Advisers should be cognisant that Government transactions by necessity have significant process and procedural requirements, for example, the Financial Advisers would be required to prepare comprehensive evaluation reports at key points in the transaction process for submission to the Treasurer.

The following are indicative tasks and will depend on the nature of the transaction strategy endorsed including whether through trade sales or IPOs.

2.3.1. Phase 2a - Preparation

Preparation tasks would be undertaken with the assistance of other advisers, primarily legal and accounting/tax, and include but not be limited to:

- developing and implementing a final Project Plan
- drafting the Information Memoranda, Prospectuses and other marketing documents as required for approved strategy
- preparing for the due diligence process including:
 - assisting in compiling financial, commercial and legal vendor due diligence reports
 - assisting with data-room preparations
 - preparing management presentations
- providing the bidder/investor interface and leading the transaction marketing
- assisting with business restructuring and other business preparation tasks, for example settling /renewing /restructuring key contracts
- developing the financial arrangements for the transaction and assisting the legal adviser to develop the legal structures for the transactions
- assisting with the development and passage of legislation as required, for example, providing briefing notes on specific commercial issues
- in conjunction with the legal adviser, developing and market-testing the transaction documentation and preparing a bid version of the transaction documents
- preparing a final retention valuation

2.3.2. Phase 2b – Execution

The specific execution tasks are dependent on the method of sale chosen for the Project. The Financial Advisers will be responsible for leading and project managing all work streams required.

3. INDICATIVE TIMETABLE AND RESOURCING REQUIREMENTS

Treasury envisages that it would take about 16-20 weeks to complete the scoping study. An indicative timetable showing key milestones for the Project is shown below.

Indicative Time	Task
June 2014	Financial Adviser appointed
July 2014 – November 2014	Scoping Study (Phase One)
November 2014 – March 2015	Government consideration of scoping study
March 2015	NSW State election
April 2015 – onwards	Phase Two

Significant Financial Adviser resources may be required to achieve the above milestones. Proponents should consider the achievability of this indicative timetable and can propose modifications to it in their proposals.

4. EVALUATION

4.1. Evaluation Process

Treasury will convene an Evaluation Committee to assess all proposals received. The Evaluation Committee will assess all proposals according to the evaluation criteria set out in Section 4.2 of this RFP, and then assess the Respondents in terms of overall value for money.

In the course of the evaluation process, the Committee may request clarification of any aspects of a proposal or the provision of additional information. The Committee reserves to itself the right to make its own inquiries about Respondents in order to inform its assessment.

Based on its assessment, the Committee may also require Respondents to present on aspects of their proposal, prior to a decision being made. If required, interviews will be held in June 2014, or as otherwise advised by the Committee, and will be taken into consideration in the evaluation of the proposals. Respondents should therefore ensure that key nominated personnel are present at interviews.

Following the evaluation process, recommendation(s) will be made to the Treasurer to appoint the preferred Proponent. Treasury anticipates that Respondents will be notified in writing of the outcome of their proposal in June 2014.

Treasury reserves the right to recommend the appointment of more than one Financial Adviser if this is considered to be the best approach.

4.2. Evaluation Criteria

Each proposal will be assessed against the following evaluation criteria:

- Capability, capacity and previous experience of the firm and nominated personnel with relevant trade sale, lease and/or IPO transactions including Government sell-side engagements and/or private to private transactions in regulated energy and/or other major infrastructure and utilities
- Depth and quality of the pool of people dedicated full time to the project
- Depth, quality and level of commitment of people supporting the project
- Demonstrated understanding of the financial, commercial, policy and regulatory issues in a government context relevant to the Project
- Demonstrated understanding of Government sell-side processes and the proposed approach to key aspects such as project management, engaging with the network businesses and key stakeholders, identifying key issues for the scoping study, undertaking vendor due diligence, and executing the transaction
- Knowledge and understanding of the electricity industry. Respondents are encouraged to disclose work that they have done in the NSW and South Eastern Australian (NEM) regulated energy sector over the last 5 years, particularly in regard to Networks
- Demonstrated ability to work with government and a number of other Advisers as part of a multi-disciplinary team, including the ability to co-ordinate other Advisers, to provide deliverables within tight timetable requirements, to respond quickly to dynamic project requirements (including changing resourcing levels), and to commit key personnel for the entire duration of the Project
- Absence of any existing or potential conflicts of interests, and the approach to identifying, reporting and managing any potential conflicts of interest during the course of the Project
- Proposed rates and fee structure for Phases One and Two, including the firm's approach to ensuring that value for money is obtained by the State throughout the Project, and the cost to Government of managing and administering the engagement is minimised
- Compliance with the requirements set out in section 5 of this RFP

4.3. Questions and Clarifications

All questions or clarifications regarding this RFP should be submitted in writing by e-mail to electricitynetworks@treasury.nsw.gov.au no later than 5 pm (Australian Eastern Daylight Time) on Tuesday 17 June 2014.

At the discretion of Treasury, any requests for clarification and responses provided by Treasury may be provided by email to all recipients that have received this RFP. Where possible, questions should be open and describe the situation for which information is sought.

If a question is not of a general nature, but relates to proprietary aspects of a proposal, the Respondent must identify the question(s) as such. If, in the opinion of Treasury, the question is not proprietary in nature, the relevant Respondent will be advised and will have the option to withdraw the question(s). If the Respondent continues to request a

response, the question(s) and the response may be circulated to all recipients of this RFP.

Recipients of this RFP are encouraged to monitor their email and the e-tendering website for such communication. The State is under no obligation to inform recipients that information has been made available on the website.

Respondents may be required to agree to a deed of confidentiality, without material amendment, prior to receiving any information that is not publicly available.

5. PROPOSAL REQUIREMENTS

RFPs should include the information specified below and must be submitted physically as outlined in Section 8 of this RFP.

The Proposal (A4 in size with a minimum font size of 11 point) should provide:

1. A response to each of the Evaluation Criteria
2. Details of any other commercial asset sale panels (Commonwealth or other State governments) of which the Respondent is a member
3. The name, address and legal status of the firm
4. The key specified personnel (including curriculum vitae) and a statement in regard to their availability and time commitment for the duration of the Project. Other nominated persons should also be identified and information provided about how their time will be dedicated to the Project
5. Approach to providing value for money – including
 - a. Minimum of two fee proposals – one that assumes Phase Two will proceed and one that assumes Phase Two does not proceed.
 - i. The pricing model used to determine fees for each phase, including:
 - Hourly, daily, weekly and four weekly rates for each nominated team member
 - Approach and commitment to providing capped fees for completing specific elements of the Project to ensure that value for money is obtained by the State
 - b. Discounts and synergies that may be available
 - c. Any other initiatives proposed to ensure that value for money is obtained by the State throughout the Project
 - d. Approach to charging for expenses
6. Agreement to sign the attached Consultancy Agreement, without material amendment. Any requested amendments to the Consultancy Agreement must be provided as a separate annexure in table form
7. Agreement that a Confidentiality and Privacy Deed (in the form set out in Schedules 6 and 7 of the Consultancy Agreement or in such form as may be required by the Principal) will be executed by the Respondent if requested by the Principal

6. CONTRACTUAL ISSUES

The successful Proponents will be required to enter into a Consultancy Agreement in the form of Annexure A. Treasury is seeking to appoint the Financial Advisers under a single mandate.

Any requested amendments to the Consultancy Agreement must be provided as an attachment to the proposal in table form. Requested amendments must not be made within the Consultancy Agreement itself.

The engagement will commence as soon as approval in writing is provided to the successful Proponent, and the Consultancy Agreement is substantively agreed.

The State reserves the right to cancel the consultancy at any time. Payment in the event of termination by Treasury will be subject to the terms of the Consultancy Agreement.

The State intends to review the consultancy to ensure that it receives value for money throughout the Project. The State may, at its absolute discretion, re-tender for all or part of the work during the Project or appoint other organisations to perform elements of the work.

7. EXCLUSIVE ADVISORY ROLE

The appointed Financial Advisers will be precluded from providing advice relating to the Project, either directly or indirectly, to any potential bidder, purchaser, lessee, financier and other parties in relation to the Project.

However, in the case of full service investment banks, Respondents should detail their approach to identifying and managing potential conflicts in the provision of non-advisory services such as debt capital and/or equity market services to potential bidders, purchasers, lessees, financiers and other parties in relation to the Project.

8. LODGEMENT INSTRUCTIONS AND OTHER GENERAL MATTERS

8.1. Lodgement of proposals

In addition to one electronic copy on eQuote, proposals must be received by no later than 11am (Australian Eastern Daylight Savings Time) on Wednesday 25 June, 2014 (**'Closing Date'**).

Proposals must be hand delivered and must comply with the lodgement requirements as set out below. Proposals may not be sent by mail, courier or emailed.

Proposals received after the deadline will be rejected.

Proposals should be clearly marked:

"NSW Treasury, Financial Adviser - Electricity Networks Transaction, Response to Request for Proposal"

and taken to the ground floor reception of Governor Macquarie Tower located as follows:

*Reception Level 7
17 Castlereagh Street
Sydney, NSW 2000
Australia*

Instructions regarding lodgement displayed at reception should be followed. The outside of the envelope containing the Proposal should identify the name of the Respondent and the name and contact details of the person Treasury should contact in relation to the Proposal if necessary.

Respondents should submit **1 unbound hard copy of the Proposal marked "Original" and 5 bound hard copies**. In addition to the submission of hard copies, Respondents should also submit an electronic copy of their RFP in Adobe PDF format on CD ROM or flash drive.

The version marked "Original" will take precedence over all other versions (whether in hard copy or electronic soft copy) to the extent of any inconsistency between them.

8.2. Probity Adviser

Treasury will engage a Probity Adviser for the duration of the procurement processes.

The Probity Adviser is not part of the Evaluation Committee, but is an independent observer of the evaluation process.

Any probity concerns regarding this RFP, any other aspect of the evaluation process or the Panel appointment, must be submitted in writing. Details of the Probity Adviser will be provided upon request from the electricitynetworks@treasury.nsw.gov.au email address.

8.3. Confidentiality

Respondents must keep confidential any information which is received as a result of, or in connection with, the RFP and which is not in the public domain. Such confidentiality must be maintained even if the Respondent is unsuccessful in being selected for either role.

All documents provided by the Respondent will be stored securely at Treasury and held in confidence, except where disclosure (at any time) is required for the purpose of compliance with Government reporting or audit requirements or law.

8.4. Intellectual Property

All documents submitted to Treasury as part of a Respondent's Proposals remain the property of the Treasury.

Despite any intellectual property or ownership rights which may apply, it is a condition of participation in the procurement process that the State will be entitled to retain all Proposals and all correspondence and other materials received from Respondents. In addition, the whole or any portions of the Proposal may be used or reproduced in connection with the relevant procurement process. Proposals retained will be subject to the confidentiality provisions as set out in Section 8.3 above.

8.5. Costs Borne By Firms

All costs and expenses incurred by Respondents in any way associated with the development, preparation and submission of a Proposal, including but not limited to attendance at meetings, discussions, etc. as well as providing any information required by Treasury will be borne entirely and exclusively by the Respondents.

8.6. Other Conditions Applying to the Procurement Process

The State reserves the right, in its absolute discretion and at any time, to cancel, add to or amend the information, terms, procedures and protocols set out in this RFP. No party will have any claim against the State with respect to the exercise, or failure to exercise, such right.

Treasury makes no undertaking that any Respondent will be appointed from this RFP.

Treasury reserves the right to call for fresh tenders for Financial Advisers during the term of the Project and to use other organisations for any reason at the absolute discretion of Treasury.

8.7. Communications

On no account should recipients of the RFP document directly or indirectly approach the NSW electricity network State Owned Corporations (TransGrid, Ausgrid, Endeavour Energy and Essential Energy) or the Government, their officers, officials, employees, customers or suppliers in relation to any matter relating to the RFP during the procurement process.

Respondents are required to use the electricitynetworks@treasury.nsw.gov.au email address for all queries in connection with information associated with this document. Respondents are otherwise prohibited from contacting any officer of the State (including State Government Ministers, Members of Parliament or their officers) to discuss any aspect of the project or the procurement process.

8.8. Code of Practice for Procurement

In submitting its proposal, the Respondent signifies agreement to comply with the NSW Government Code of Practice for Procurement as amended from time to time, together with any other codes of practice relating to procurement, including any amendments to such codes that may be applicable to this particular RFP. The Code can be viewed and downloaded from <http://www.nswprocurement.com.au>.

SCHEDULE 2:
Consultant's Proposal

SCHEDULE 3:
Fee/Consultant Budget

Shared fee arrangement	
Phase 1 Fee	<ul style="list-style-type: none"> Where Phase 2 does not proceed: \$0 fee for Phase 1 Where Phase 2 does proceed: \$250,000 per Consultant to be paid should the Principal not exercise the option to appoint the Consultant for Phase 2 (\$500,000 combined for both Consultants); to the extent the Consultant is appointed to Phase 2 there is a \$0 fee for Phase 1
Phase 2 Fee Cap	<ul style="list-style-type: none"> \$17,500,000 per Consultant (\$35,000,000 combined for both Consultants)
	<ul style="list-style-type: none">
	<ul style="list-style-type: none">
	<ul style="list-style-type: none">
	<ul style="list-style-type: none">
	<ul style="list-style-type: none">
	<ul style="list-style-type: none">
Expenses	<ul style="list-style-type: none"> Approved international travel expenses for marketing will be reimbursed All incidentals of Consultant employees are the responsibility of the Consultant

SCHEDULE 4:
Statutory Declaration by Sub- Contractor

of
(insert address)

do solemnly and sincerely declare as follows:

1. *[insert full sub-contractor company name and its ACN or ABN]* ("the Sub-contractor") has been selected as a sub-contractor to *[insert full name of Consultant]* (the "Consultant") for the performance of a contract with *[insert full name of Principal]* (the "Principal") dated *[insert date]* for the *[insert short description of Project/Consultancy Services]* ("the Agreement").
2. The sub-contractor is aware of the relevant contractual terms and conditions of the Agreement and will be entering into a sub-contract with the Consultant in the near future on terms that will not be inconsistent with the Agreement for *[insert short description of the sub-contract]* ("the Sub-Contract").

[insert additional provisions to be included in the Statutory Declaration,
as applicable]

3. There are no reasons of which I am aware that would prevent the Sub-Contract from being signed and performed in a manner that would allow the satisfactory and timely performance of the Agreement and the Sub-contract.

And I make this declaration conscientiously believing the same to be true, and by virtue of the provisions of the *Oaths Act 1900* (NSW).

Subscribed and declared at)
on..../..../.....)
in the presence of an authorised witness, who states:

I, , a.....
[name of authorised witness] [qualification of authorised witness]

certify the following matters concerning the making of this statutory declaration by the person who made it: *[* please cross out any text that does not apply]*

1. *I saw the face of the person OR *I did not see the face of the person because the person was wearing a face covering, but I am satisfied that the person had a special justification for not removing the covering, and
2. *I have known the person for at least 12 months OR *I have confirmed the person's identity using an identification document and the document I relied on was
[describe identification document relied on]

[signature of authorised witness]

[date]

<p>SCHEDULE 5: Insurance Certificates of Currency</p>

CERTIFICATE OF CURRENCY

Agent for the Victorian WorkCover Authority

1. STATEMENT OF COVERAGE

This employer is registered for WorkCover Insurance to cover its liabilities under the Workplace Injury Rehabilitation and Compensation Act 2013

2. EMPLOYER'S INFORMATION

ABN

47088129613

ACN/ARBN

088129613

CGU Workers Compensation (Vic) Limited ACN 005 297 781

For and on behalf of the Victorian WorkCover Authority

CGU Centre 181 William Street Melbourne VIC 3000
GPO Box 2090 Melbourne VIC 3001 DX 605 Melbourne

Telephone: (03) 8630 1000

Toll Free: 1800 066 204

Claims Fax: (03) 8804 9429

Premium Fax: (03) 8804 9406

Premium Email: wcvicpremium@cgu.com.au

Certificate of Currency

1. Statement of coverage

The Accident Insurance Policy covers the full amount of the employer's liability under the *Workers' Compensation and Rehabilitation Act 2003*.

2. Employer's information

ABN

47088129613

ACN / ARBN

088129613

3. Important information

A worker can make a claim for a workplace injury, no matter who or what caused it. This policy covers you as an employer for the cost of your workers' injuries.

For more information, please contact us on 1300 362 128 or visit our website at www.workcoverqld.com.au.

CERTIFICATE OF CURRENCY



Dear Sir/Madam,

1. STATEMENT OF COVERAGE

The following policy of insurance covers the full amount of the employer's liability under the *Workers Compensation Act 1987*.



2. EMPLOYERS INFORMATION



ABN

47088129613

TRUST NAME

TRUST ABN



3. IMPORTANT INFORMATION

Principals relying on this certificate should ensure it is accompanied by a statement under section 175B of the *Workers Compensation Act 1987*. Principals should also check and satisfy themselves that the information is correct and ensure that the proper workers compensation insurance is in place, ie. compare the number of employees on site to the average number of employees estimated; ensure that the wages are reasonable to cover the labour component of the work being performed; and confirm that the description of the industry/industries noted is appropriate.

A principal contractor may become liable for any outstanding premium of the sub-contractor if the principal has failed to obtain a statement or has accepted a statement where there was reason to believe it was false.

Yours Faithfully,



11 July 2014



Telephone: 020 3124 0000
Website: www.willis.com

Direct Line: 020 3124 7227
Direct Fax: 020 3124 6375
E-mail: jhanotu@willis.com

The State of New South Wales



Yours sincerely

A handwritten signature in black ink, appearing to read "Hassan".

Divisional Director
FINEX Global

Willis Limited
FINEX Global
51 Lime Street, London, EC3M 7DQ
A Lloyd's Broker authorized and regulated by the Financial
Services Authority. Registered office 51 Lime Street, London,
EC3M 7DQ. Registered Number 161116 England and Wales



CERTIFICATE OF INSURANCE NO. Z140826

Zurich Insurance Company Ltd confirms herewith that the Policyholder mentioned below has liability insurance which provides coverage according to the terms and conditions set out in the policy. This confirmation does not change, increase, amend or correct any coverage specified in the policy. The original policy limit might be higher than shown below. Limits shown may have been reduced or exhausted by claims payments.



Zurich, July 8, 2014

Zurich Insurance Company Ltd
Global Corporate Switzerland



This Certificate of Insurance is not valid without officially authorised signatures of Zurich Insurance Company Ltd.



Marsh Pty Ltd
ABN 86 004 651 512
201 Sussex Street
SYDNEY NSW 2000
PO Box H176
AUSTRALIA SQUARE NSW 1215
61 2 8864 8731 Fax 61 2 8864 8081
glen.delacruz@marsh.com
marsh.com.au

Certificate of Currency


Combined General Liability

Department: Multinational Practice – NSW Corporate



Date: 11 February 2014

This certificate is issued as a matter of information only and confers no rights upon the holder. It does not amend, extend or alter the coverage afforded by the policy. It is provided as a summary only of the cover provided and is current only at the date of issue. For full particulars, reference must be made to the current policy wording.





Yours faithfully,



CERTIFICATE OF INSURANCE

Addressee: The State of New South Wales, Australia

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

Producer:



Insured:



Type of Insurance	Policy Number/ Insurer	Policy Effective (DD/MM/YY)	Policy Expiration (DD/MM/YY)	Sum Insured

Evidence of Coverage Only

DATE (DD/MM/YY)	AUTHORIZED REPRESENTATIVE
24/06/14	

<p align="center">SCHEDULE 6: Confidentiality and Privacy Deed</p>
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THIS DEED dated the day of 2012

BETWEEN The State of New South Wales, c/of Level 36, Governor
Macquarie Tower, 1 Farrer Place, SYDNEY NSW 2000 (the
"Principal")

AND Deutsche Bank AG, Sydney Branch and UBS AG, Australia Branch, jointly and severally (the "Recipient").

RECITALS:

- A. The Recipient is an officer, employee, agent or sub-contractor of the Consultant.
- B. The Consultant has entered into the Consultancy Agreement with the Principal.
- C. In the course of the Recipient performing certain services for the Principal (whether directly or indirectly) pursuant to the Consultancy Agreement, the Recipient will have access to and may become aware of Confidential Information and Personal Information belonging to or in the possession of the Principal, Third Interested Party/ies or any other third party.
- D. Improper use or disclosure of the Confidential Information or the Personal Information could damage the Principal's ability to perform its governmental/statutory functions and could result in irreparable harm to the Principal.
- E. The Recipient gives the undertakings contained in this Deed to, and for the benefit of the Principal on the terms and conditions herein contained.

OPERATIVE PROVISIONS

1. DEFINITIONS & INTERPRETATION

- 1.1 In this Deed including the Recitals, unless the context otherwise requires:

“Confidential Information” means, in connection with the Express Purpose, any information and all other knowledge at any time disclosed (whether in writing or orally) to the Recipient by the Principal or the Consultant or acquired

by the Recipient in the course of the Recipient performing certain services for the Principal (whether directly or indirectly) pursuant to the Consultancy Agreement that:

- (a) is by its nature confidential;
- (b) is designated by the Principal as confidential; or
- (c) the Recipient knows or ought to know is confidential;

and includes but is in no way limited to:

- (d) the Contract Material;
- (e) the Principal's Material;
- (f) any material which relates to the affairs of a third party;

but does not include information which:

- (g) is or becomes public knowledge other than by breach of this Deed;
- (h) is in the lawful possession of the Recipient without restriction in relation to disclosure before the date of receipt from the Principal or the Consultant, as the case may be; or
- (i) is required to be disclosed pursuant to law, regulation, legal process or a regulatory authority;

"Consultancy Agreement" means the Consultancy Agreement between the Principal and the Consultant dated on or about the date of this Agreement ;

"Consultant" means Deutsche Bank AG, Sydney Branch and UBS AG, Australia Branch, jointly and severally;

"Express Purpose" means Financial Advisory services delivered by the Consultant in relation to the Electricity Networks; and

"Personal Information" means information or an opinion (including information or an opinion forming part of a database) whether true or not and whether recorded in a material form or not, about an individual whose identify is apparent or can reasonably be ascertained from the information or opinion.

"Third Interested Party/ies" means those parties as set out in item 10 of Part B of the Consultancy Agreement

1.3 Except where the context otherwise requires:

- (a) a reference to a person which has ceased to exist or has been reconstituted, amalgamated or merged, or other functions of which have become exercisable by any other person or body in its place, shall be taken to refer to the person or body established or constituted in its place by which its said functions have become exercisable;
- (b) no rule of construction operates to the detriment of a party only because that party was responsible for the preparation of this Deed or any part of it;
- (c) the headings and index in this Deed are for convenience only and do not affect the interpretation of this Deed;
- (d) words importing a gender include any other gender;
- (e) persons will be taken to include any natural or legal person; and
- (f) where a word or phrase is given a defined meaning in this Deed, any other part of speech or other grammatical form in respect of such word or phrase shall unless the context otherwise requires have a corresponding meaning.

2. CONFIDENTIAL INFORMATION

- 2.1 The Recipient must keep the Confidential Information in confidence and must not disclose the Confidential Information to any person without the prior written consent of the Principal.
- 2.2 The Principal may grant or withhold its consent in its absolute and unfettered discretion and may impose conditions on that consent, as the Principal sees fit. If the Principal grants consent subject to conditions, the Recipient must comply with those conditions.
- 2.3 Without limiting the generality of Clause 2.1, the Principal may require that the Recipient procures the execution of a deed by the person to whom the Recipient proposes to disclose the Confidential Information, on terms substantially similar to the terms of this Deed.
- 2.4 The Recipient:
 - (a) may use the Confidential Information for the Express Purpose only and must not use the Confidential Information for any other purpose;

- (b) must not copy or reproduce the Confidential Information without the prior approval of the Principal;
 - (c) must take all necessary precautions to prevent unauthorised access to or copying of the Confidential Information; and
 - (d) must comply with any direction of the Principal regarding the safekeeping and storage of Confidential Information.
- 2.5
 - (a) Immediately upon request, the Recipient must deliver to the Principal all documents and any material in the possession or control of the Recipient containing Confidential Information.
 - (b) If the Principal makes a demand for the return of documents or any material containing Confidential Information, and the Recipient is aware that documents containing the Confidential Information are beyond his or her possession or control, then the Recipient must provide full details of where the documents containing the Confidential Information are, and the identity of the person in whose custody or control they lie.
 - (c) The provisions dealing with the return of materials or documents do not prevent the Recipient from keeping a bona fide copy of the materials or documents for its records, subject to the confidentiality and privacy requirements contained in this Deed.
 - (d) A reference to "documents" or "materials" in this Clause 2.5 includes material in any form of storage of information, whether visible to the eye or not.

3. PRIVACY AND DISCLOSURE OF PERSONAL INFORMATION

- 3.1 Where the Recipient has access to Personal Information in order to perform the services for the Principal referred to in Recital 'C', it must:
 - (a) where the Recipient is responsible for holding Personal Information, ensure that Personal Information is protected against loss and against unauthorised access, use, modification or disclosure and against other misuse;
 - (b) not use Personal Information other than for the Express Purpose only unless
 - (i) required or authorised by law; or

- (ii) authorised in writing by the individual to whom the Personal Information relates but only to the extent authorised;
 - (c) not disclose Personal Information without the prior written agreement of the Principal or the prior written agreement of the individual to whom the Personal Information relates, unless required or authorised by law;
 - (d) ensure that only authorised personnel have access to Personal Information;
 - (e) immediately notify the Principal if:
 - (i) the individual to whom the Personal Information relates authorises the Recipient's to use his/her Personal Information for other purposes;
 - (ii) the individual to whom the Personal Information relates consents to the Recipient's disclosing of his/her Personal Information; and/or
 - (iii) it becomes aware that a disclosure of Personal Information is, or may be required or authorised by law; and
 - (f) comply with such other privacy and security measures as the Principal reasonably advises the Recipient in writing from time to time.
- 3.2 The Recipient must immediately notify the Principal upon becoming aware of any breach of Clause 3.1.

4. CONFLICT OF INTEREST

- 4.1 The Recipient warrants that before entering into this Deed it has disclosed to the Principal all the past, current and anticipated interests of the Recipient which may conflict with or restrict the Recipient in performing the services for the Principal referred to in Recital 'C' fairly and independently.
- 4.2 The Recipient shall not during the course of performing the services, engage in any activity or obtain any interest likely to conflict with or restrict the Recipient in providing services to the Principal fairly and independently and shall immediately disclose to the Principal such activity or interest.

5. SURVIVAL

- 8.1 This Deed will survive termination of the services referred to in Recital 'C' and the expiry or termination of Consultancy Agreement.

6. NOTICES

- 6.1 A notice under this Deed must be in writing and forwarded to the contact details of the intended recipient in Clause 6.4 below or the address last notified by the intended recipient to the sender.

- 6.2 A notice under this Deed will be deemed to be served:

- (a) in the case of delivery in person - when delivered to the recipient's address for service and a signature received as evidence of delivery;
- (b) in the case of delivery by post - within three business days of posting;
- (c) in the case of delivery by facsimile – at the time of dispatch if the sender receives a transmission report which confirms that the facsimile was sent in its entirety to the facsimile number of the recipient; and

- 6.3 Notwithstanding Clause 6.2, if delivery or receipt of a communication is on a day which is not a business day in the place to which the communication is sent or is later than 5 pm (local time in that place) it will be deemed to have been duly given or made at 9 am (local time at that place) on the next business day in that place.

- 6.4 The contact details are as follows:

Bruce MacDiarmid
Deutsche Bank AG, Australia Branch
Deutsche Bank Place, L16 Crn Hunter & Philip Sts, SYDNEY 2000
Tel: +61 [REDACTED]
Email: [REDACTED]

7. GENERAL

- 7.1 This Deed must not be construed to exclude the operation of any principle of law or equity intended to protect and preserve the confidentiality of the Confidential Information.

- 7.2 The rights and remedies provided under this Deed are cumulative and not exclusive of any rights or remedies provided by law or any other such right or remedy.


breach or a default by the Recipient. Any waiver by the Principal of a breach of this Deed will not be construed as a waiver of any further breach of the same or any other provision.

- 7.4 All amendments to this Deed must be in writing, signed by both parties and executed in the form of a deed.
- 7.5 All consents, approvals and waivers given under this Deed must be writing.
- 7.6 This Deed is governed by, and must be construed in accordance with, the laws in force in the State of New South Wales.
- 7.7 Each party submits to the exclusive jurisdiction of the Courts exercising jurisdiction in the State of New South Wales and the courts of appeal therefrom.

EXECUTED AS A DEED

Execution by the Principal:

SIGNED, SEALED AND DELIVERED by for)
and on behalf of The State of New South)
Wales but not so as to incur any personal)
liability in the presence of:)


.....
Signature of Witness

RYAN BLOOM
.....
Print Name of Witness


.....
(Signature of authorised officer)

Execution by the Recipient:

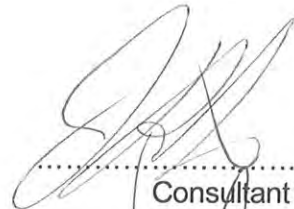
SIGNED for and on behalf of Deutsche Bank AG, Sydney Branch in the presence of:



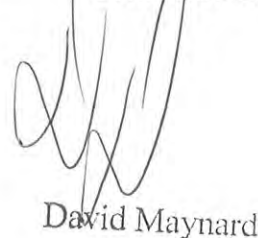
.....
Signature of Witness



.....
Print name of Witness

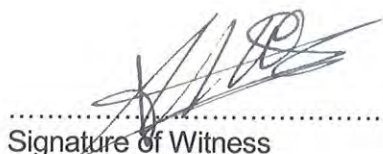


.....
Consultant Signature

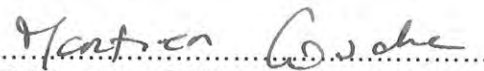


David Maynard

SIGNED for and on behalf of UBS AG, Australia Branch in the presence of:



.....
Signature of Witness



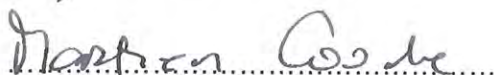
.....
Print name of Witness



.....
Consultant Signature



.....
Signature of Witness



.....
Print name of Witness



.....
Consultant Signature

<p style="text-align: center;">SCHEDULE 7: Confidentiality and Privacy Deed Poll</p>
--

THIS DEED POLL is made on _____ of _____ 2012

BY Deutsche Bank AG, Sydney Branch and UBS AG, Australia Branch, jointly and severally (the "Recipient").

IN FAVOUR OF

THE PERSON(S) NAMED IN SCHEDULE 1 (each a "**Beneficiary**", collectively the "**Beneficiaries**").

RECITALS:

- A. The Recipient has entered into the Consultancy Agreement with the Principal for Financial Advisory services delivered by the Consultant in relation to the Electricity Networks; ("the Project").
- B. In the course of the Recipient performing certain services for the Principal (whether directly or indirectly) pursuant to the Consultancy Agreement, it is intended that the Confidential Information and Personal Information belonging to or in the possession of the Beneficiaries will be disclosed to the Recipient for the Express Purpose.
- C. Improper use or disclosure of the Confidential Information or the Personal Information could damage the businesses of the Beneficiaries and could result in irreparable harm to the Beneficiaries.
- D. The Beneficiaries have agreed to supply the Confidential Information to the Consultant in consideration of and on condition that the Recipient enters into this Deed Poll to protect the secret and confidential nature of that Confidential Information.
- E. The Recipient gives the undertakings contained in this Deed Poll to and for the benefit of the Beneficiaries on the terms and conditions herein contained.

OPERATIVE PROVISIONS

1. DEFINITIONS & INTERPRETATION

1.1 In this Deed including the Recitals, unless the context otherwise requires:

"Authorised Personnel" means any employee or officer or legal Advisor of the Recipient or any of its Related Bodies Corporate who:

- (a) have a need to know (and only to the extent that each has a need to know); and
- (b) before disclosure, have been directed by the Recipient to keep confidential all Confidential Information of the Beneficiaries;

"Confidential Information" means, in connection with the Project any information and all other knowledge relating to the specific business of the Beneficiaries at any time disclosed (whether in writing or orally) to the Recipient by or on behalf of the Beneficiaries or by the Principal in the course of the Recipient performing certain services for the Principal (whether directly or indirectly) pursuant to the Consultancy Agreement that:

- (a) is by its nature confidential;
- (b) is designated by the Beneficiaries as confidential; or
- (c) the Recipient knows or ought to know is confidential;

and includes but is in no way limited to:

- (d) the operating and financial information of the businesses of the Beneficiaries;
- (e) any material which relates to the affairs of a third party;
- (f) any documents subject to legal professional privilege or client legal privilege;

but does not include information which:

- (g) is or becomes public knowledge other than by breach of this Deed Poll;
- (h) is in the lawful possession of the Recipient without restriction in relation to disclosure before the date of receipt from or on behalf of a Beneficiary; or

- (i) is required to be disclosed pursuant to law, regulation, legal process or a regulatory authority;

"Consultancy Agreement" means the Consultancy Agreement between the Principal and the Consultant dated on or about the date of this Agreement;

"Consultant" means Deutsche Bank AG, Sydney Branch and UBS AG, Australia Branch, jointly and severally;

"Deed Poll" means this confidentiality deed poll;

"Express Purpose" means the purpose of assessing, considering and/or carrying out professional services in respect of the Project (whether alone or with any other person or directly, or indirectly through a Related Body Corporate), including advising the Principal or any other party requested by the Principal, conducting due diligence, preparing, submitting and distributing information memoranda, offer documents (including prospectuses) or other documentation required for the Project, communicating with any Government agency or the Australian Securities Exchange and bona fide doing any other thing reasonably necessary for the purpose of the Project, and, for the avoidance of doubt, includes the use of a Beneficiary's information in connection with a transaction involving another Beneficiary;

"Personal Information" means information or an opinion (including information or an opinion forming part of a database) whether true or not and whether recorded in a material form or not, about an individual whose identity is apparent or can reasonably be ascertained from the information or opinion;

"Principal" means The State of New South Wales;

"Project" means the project described in Recital A; and

"Related Body Corporate" has the same meaning as in section 50 of the *Commonwealth Corporations Act 2001*.

1.3 Except where the context otherwise requires:

- (a) a reference to a person which has ceased to exist or has been reconstituted, amalgamated or merged, or other functions of which have become exercisable by any other person or body in its place, shall be taken to refer to the person or body established or constituted in its place by which its said functions have become exercisable;

- (b) no rule of construction operates to the detriment of a party only because that party was responsible for the preparation of this Deed Poll or any part of it;
- (c) the headings and index in this Deed Poll are for convenience only and do not affect the interpretation of this Deed Poll;
- (d) words importing a gender include any other gender;
- (f) persons will be taken to include any natural or legal person; and
- (g) where a word or phrase is given a defined meaning in this Deed Poll, any other part of speech or other grammatical form in respect of such word or phrase shall unless the context otherwise requires have a corresponding meaning.

2. CONFIDENTIAL INFORMATION

- 2.1 In consideration of the Beneficiaries disclosing the Confidential Information to the Recipient, the Recipient agrees:
 - (a) to use the Confidential Information solely for the Express Purpose; and
 - (b) otherwise to comply with the terms of this Deed Poll.
- 2.2 The Recipient may disclose the Confidential Information to its Authorised Personnel, provided the Recipient must ensure that its Authorised Personnel comply with the terms of this Deed Poll as if they were parties to this Deed Poll.
- 2.3 Subject to the terms of this Deed Poll, the Recipient must keep the Confidential Information in confidence and must not disclose the Confidential Information to any person without the prior written consent of the relevant Beneficiary who has provided the Confidential Information.
- 2.4 A Beneficiary may grant or withhold its consent in its absolute and unfettered discretion and may impose conditions on that consent, as the Beneficiary sees fit. If a Beneficiary grants consent subject to conditions, the Recipient must comply with those conditions.
- 2.5 Without limiting the generality of Clause 2.4, a Beneficiary may require that the Recipient procures the execution of a deed poll by the person to whom the Recipient proposes to disclose the Confidential Information, on terms substantially similar to the terms of this Deed Poll.
- 2.6 The Recipient:

- (a) may use the Confidential Information for the Express Purpose only and must not use the Confidential Information for any other purpose;
 - (b) must not copy or reproduce the Confidential Information (other than in connection with the Express Purpose) without the prior approval of the relevant Beneficiary which provided the Confidential Information;
 - (c) must take all necessary precautions to prevent unauthorised access to or copying of the Confidential Information; and
 - (d) must comply with any direction of the Principal or Beneficiary regarding the safekeeping and storage of Confidential Information.
- 2.7
- (a) Immediately upon request, the Recipient must deliver to the relevant Beneficiary all documents and any material in the possession or control of the Recipient containing Confidential Information and provided to the Recipient by or on behalf of that Beneficiary.
 - (b) If a Beneficiary makes a demand for the return of documents or any material containing Confidential Information, and the Recipient is aware that documents containing the Confidential Information are beyond its or his or her possession or control, then the Recipient must provide full details of where the documents containing the Confidential Information are, and the identity of the person in whose custody or control they lie.
 - (c) The provisions dealing with the return of materials or documents do not prevent the Recipient from keeping a bona fide copy of the materials or documents for its records, subject to the confidentiality and privacy requirements contained in this Deed Poll.
 - (d) A reference to “documents” or “materials” in this Clause 2.7 includes material in any form of storage of information, whether visible to the eye or not.

3. PRIVACY AND DISCLOSURE OF PERSONAL INFORMATION

- 3.1 Where the Recipient has access to Personal Information in order to perform the services for the Principal pursuant to the Consultancy Agreement, it must:
- (a) where the Recipient is responsible for holding Personal Information, ensure that Personal Information is protected against loss and against unauthorised access, use, modification or disclosure and against other misuse;

- (b) not use Personal Information other than for the Express Purpose only unless
 - (i) required or authorised by law; or
 - (ii) authorised in writing by the individual to whom the Personal Information relates but only to the extent authorised;
- (c) not disclose Personal Information without the prior written agreement of the relevant Beneficiary which provided the Personal Information, or the prior written agreement of the individual to whom the Personal Information relates, unless required or authorised by law;
- (d) ensure that only Authorised Personnel have access to Personal Information;
- (e) immediately notify the relevant Beneficiary if:
 - (i) the individual to whom the Personal Information relates authorises the Recipient to use his/her Personal Information for other purposes;
 - (ii) the individual to whom the Personal Information relates consents to the Recipient's disclosing of his/her Personal Information; and/or
 - (iii) it becomes aware that a disclosure of Personal Information is, or may be required or authorised by law; and
- (f) comply with such other privacy and security measures as the Beneficiaries reasonably advise the Recipient in writing from time to time.

3.2 The Recipient must immediately notify the Principal upon becoming aware of any breach of Clause 3.1.

4. SURVIVAL

4.1 This Deed Poll will survive the expiry or termination of the Consultancy Agreement.

5. NOTICES

5.1 A notice to the Recipient under this Deed Poll must be in writing and forwarded to the address and facsimile number of the Recipient as specified below or the address last notified by the Recipient to the sender:

Recipient	
Name	Bruce MacDiarmid, Deutsche bank
Address	Deutsche Bank Place L16 Crn Hunter & Philip Sts, SYDNEY 2000
Telephone	+61 [REDACTED]
Email	[REDACTED]

5.2 A notice to a Beneficiary under this Deed Poll must be in writing and forwarded to the address and facsimile number of the Beneficiary as specified in Schedule 2 or the address last notified by the Beneficiary to the sender.

5.3 A notice under this Deed will be deemed to be served:

- (a) in the case of delivery in person - when delivered to the recipient's address for service and a signature received as evidence of delivery;
- (b) in the case of delivery by post - within three business days of posting;
- (c) in the case of delivery by facsimile – at the time of dispatch if the sender receives a transmission report which confirms that the facsimile was sent in its entirety to the facsimile number of the recipient.

5.3 Notwithstanding Clause 5.2, if delivery or receipt of a communication is on a day which is not a business day in the place to which the communication is sent or is later than 5 pm (local time in that place) it will be deemed to have been duly given or made at 9 am (local time at that place) on the next business day in that place.

6. GENERAL

- 6.1 This Deed Poll must not be construed to exclude the operation of any principle of law or equity intended to protect and preserve the confidentiality of the Confidential Information.
- 6.2 The rights and remedies provided under this Deed Poll are cumulative and not exclusive of any rights or remedies provided by law or any other such right or remedy.
- 6.3 No failure or delay by a Beneficiary in exercising any right, power or remedy in relation to this Deed Poll and no course of dealing or grant by a Beneficiary to the Recipient of any time or other consideration, will operate as a waiver of the

breach or a default by the Recipient. Any waiver by a Beneficiary of a breach of this Deed Poll will not be construed as a waiver of any further breach of the same or any other provision.

- 6.4 All amendments to this Deed Poll must be in writing, signed by all the Beneficiaries and executed in the form of a deed.
- 6.5 All consents, approvals and waivers given under this Deed Poll must be writing.
- 6.6 This Deed Poll is governed by, and must be construed in accordance with, the laws in force in the State of New South Wales.
- 6.7 The Recipient and the Beneficiaries submit to the exclusive jurisdiction of the Courts exercising jurisdiction in the State of New South Wales and the courts of appeal therefrom.

7. BENEFICIARIES

- 7.1 This Deed Poll may be enforced by any one of the Beneficiaries acting alone and the Recipient has no right or obligation to enquire into the dealings between the Beneficiaries in relation to any matter the subject of this Deed Poll.

SCHEDULE 1 –Ausgrid, Transgrid, Endeavour Energy and Essential Energy,

SCHEDULE 2 –

Agency Name	CEO Name	CEO Phone	CEO Email
Ausgrid			
Endeavour Energy			
Essential Energy			
TransGrid			

EXECUTED AS A DEED POLL Execution by the Recipient:

**EXECUTED AS A DEED POLL Execution
by the Recipient:**


SIGNED for and on behalf of Deutsche Bank
AG, Sydney Branch in the presence of:



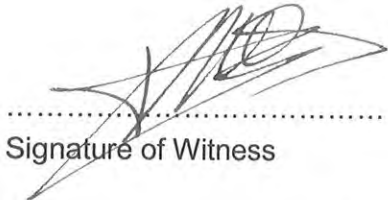
Signature of Witness

Marten Cosche

Print name of Witness


Recipient Signature
David Maynard


SIGNED for and on behalf of UBS AG,
Australia Branch in the presence of:



Signature of Witness

Marten Cosche

Print name of Witness


Recipient Signature

Signature of Witness

Marten Cosche

Print name of Witness


Recipient Signature

SCHEDULE 8:
Cost Report/Breakdown

Each invoice needs to be accompanied by a detailed cost break down and where necessary a narrative to explain variances.
An example of such a report could be as follows (soft copy available on request):

ASSET TRANSACTIONS UNIT COST BREAKDOWN TEMPLATE						
COMPANY PTY LTD						DAY/MONTH/YEAR
[insert Project name]						
Budget Line Item	Estimated Cost	Cost to Date	Est. Cost to Complete	Final Costs	Over/Under	Comments on variance
Insert Cost Item (e.g. Tax separation)						
name of team member	1,000	250	750	1,000	-	on target
name of team member	1,000	250	900	1,150	150	more time spent on this item due to XXXX
name of team member	500	250	250	500	-	on target
name of team member	500	250	-	250	- 250	completed/saving
name of team member	500	400	250	650	- 100	more time spent on this item due to XXXX
name of team member	-	250	250	500	-	extra resource allocation (as approved on 01/01/2013)
Total Project	5,000	2,550	3,050	5,600	150	Overage
Insert Cost Item (e.g. Defined Benefit Scheme analysis)						
name of team member	1,000	250	750	1,000	-	on target
name of team member	1,000	250	500	750	- 250	saving anticipated
Total Project	2,000	500	1,250	1,750	- 250	Underage
TOTAL ALL PROJECTS	7000	3050	4300	7350	350.00	Overage due to more time/ extra resources needed/ XXXX

SCHEDULE 9:
Variation Statement of Works Form

Electricity Networks Project



Advisors Statement of Works Form

This Statement of Works (“SOW”) form is to be completed by the Consultant who seeks to undertake additional work on behalf of the Principal. Circumstances in which this form is to be completed are outlined in the Consultancy Agreement, Clause 9(Variations).

Please complete this form and return it to: Martien Coucke

Email: martien.coucke@treasury.nsw.gov.au

Name of Consultant:	[Company Name]
Name of Lead Partner/Advisor:	[Advisor Project Lead Name]
Contact Details:	[Phone: +61] [Email:]
Name of Organisation receiving Services:	[Insert relevant Name]
Engagement Description and Justification:	<p><u>Title of Service</u></p> <p>1. <u>Description of Work</u></p> <p>2. <u>Benefits to the Project</u></p> <p><i>(if space insufficient, please add additional page(s))</i></p>
Is this Project related Service new scope?	[Yes/No]
Is this Project related Service part of original scope (please insert Document Name, Version and Reference)	[Yes/No] [Reference to Agreed Scope Document]
Estimated effort (man days):	[Resources; time; total days]
Estimated Duration (inc..	[Start date; Finish Date; Duration]

Proposed Start/ Finish date):	
Value for Money (Estimated Fee):	[Fee structure; costing breakdown; total; impact to overall agreed forecast]
Signed By Consultant's authorised representative:	<i>(Signature, Name and Position)</i>
Date:	
Signed By Principal's authorised representative:	If applicable, approval by other Advisors. <i>(Signature, Name and Position)</i>
Date:	
Signed By (Lead Partner/Advisor):	<i>(Signature, Name and Position)</i>
Date:	
NSW Treasury Assessment:	Approved/ Not Approved
Signed By:	<i>(Signature, Name and Position)</i>
Date:	
If Engagement Not Approved, reasons for not approving:	

<p style="text-align: center;">SCHEDULE 10: Reliance Letter template</p>
--

Reliance Letter (Successful Bidder)

Dear Sir/Madam,

Project # - Provision of Final Vendor Technical and Environmental Due Diligence Reports

I, [insert Consultant name] (the "Consultant") have been directed by the Hon. Mike Baird, Treasurer, for and on behalf of the Crown in Right of the State of New South Wales (the "**Principal**") to provide [Recipient] with a copy of the confidential Final Vendor Technical Due Diligence Report, expected to be dated [] ("**Final Report**") in relation to [] (the "**Business**"). *(Note: the term "Final Report" is to be substituted for the words "Consultant Report" in the case of release of same to members of the Due Diligence Committees. Further note that this letter will not be used in the context of an IPO).* We agree to provide you with a copy of the Final Report on the basis that you and certain of your financiers and investors may rely on the Final Report subject to the terms set out in this letter.

For the purposes of this Reliance Letter:

"Project" means [] *[Note: definition of specific project to be inserted prior to signing]*

1. Basis for reliance

You acknowledge and agree that:-

- (a) You are not either of the Consultant's client and consequently the Consultants have no legal relationship with or obligations to you of a contractual or fiduciary nature and owes you no duty of care.
- (b) The Consultants do not make or give any recommendations or advice to you and has not been given any instructions by you.
- (c) The Consultants have acted solely in accordance with the instructions of the Principal in preparing the Final Report and prepared the Final Report for the benefit of the Principal and has considered only the interests of the Principal in doing so. The matters covered by the Final Report and the emphasis placed on them may not necessarily address all or any of your specific concerns, purposes, requirements or interests or those of your financiers, investors or any other third party.

- (d) The Final Report may not cover all matters that a lessee or a buyer of the Business or its assets or a financier or investor of such lessee or buyer may wish to investigate and there may be matters of interest to you or your investors or financiers which have not been considered to be material for the Final Report or investigated.
- (e) The Final Report is subject to the scope, materiality, guidelines, qualifications, methodology and assumptions which are set out therein and agreed with the Principal.
- (f) You and your technical Advisors will be making an independent assessment of the matters which do not fall within the Scope of the Final Report and that in relation to matters which do fall within the Scope of the Final Report you will determine for yourself whether those matters require further enquiry.
- (g) The Final Report will not be updated for events and transactions occurring after the date of the Final Report or for any other matters which might have a material affect on its contents which may come to light after the date of the Final Report.
- (h) The Consultants will not be obliged to inform you of any matter arising or coming to its notice after the date of the Final Report which may affect or qualify the Final Report.
- (i) The contents of the Final Report are confidential and may not be duplicated or disclosed under any circumstances to any other person without our prior consent except that you may disclose the report to the persons listed below but only to the extent necessary for the purposes of your participation in the Project:-
 - 1. your professional advisors (including financial, accounting, technical, environmental, survey and legal advisors);
 - 2. your potential funding sources and their advisors;
 - 3. each of the persons who are entitled to rely on this report as listed in Section 3 and their professional advisors (including financial, accounting, technical, environment, survey and legal advisors);
 - 4. provided that:-
 - 1. you ensure that all persons or entities to whom the Final Report is disclosed maintain the Final Report in strictest confidence and comply and are bound by the terms of this letter on the same basis as you are required to;

2. you provide the persons you disclose the Final Report to with a copy of this letter and obtain an acknowledgement that they shall comply with the terms of this letter;
3. all persons to whom you disclose this Final Report acknowledge that the Final Report is confidential and may not be disclosed to any other party without our prior written consent;
4. all persons to whom you disclose the Final Report acknowledge that they may not rely upon the Final Report and that we accept no liability whatsoever in relation to the provisions of the Final Reports by you to those parties; and
5. a copy of each acknowledgement referred to in this sub-paragraph is provided to us prior to disclosure of the Final Report to the acknowledging person.

You may disclose the Final Report if required to do so by law regulation, legal or judicial process or the rule of any stock exchange on which your shares are listed or to seek or establish any defence in any legal proceeding or investigation. In those circumstances, so long as it is lawful to do so, you must give such prior notice as is reasonable of the intended disclosure and limit the disclosure of the contents of this Report to the minimum required to meet such compliance.

2. Limitation of liability

a) Liability Cap

Subject to paragraph 2(b), our liability to you is limited to \$[insert] in the aggregate.

b) Other Limitations

If we are held liable to you and also to the Principal or any other person or parties in connection with our Report or in terms of any other liabilities in relation to our services provided to the Principal in relation to the Project, our aggregate liability to you and to the Principal and any other person or parties will not exceed the amount nominated in paragraph 2(a). You shall and hereby do release us, our servants and agents against such liability whatsoever and howsoever arising in excess of such limited liability.

If you provide, or cause to provide our Report or enable any of our documentation (including the Final Report) to be used or relied upon by any other party other than as permitted herein, you shall and hereby agree to indemnify and hold us harmless in respect of any damages claimed by such party (whether that claim is made against you, the Principal or us.)

You may not bring a claim against us under this letter in relation to any matter of which you or your related bodies corporate, directors, officers, employees, professional

Advisors (including technical, environmental, financial, accounting, industry and legal Advisors) are actually aware.

You may not bring a claim against us under this letter any time after the [insert date] of the date of the Final Report or [insert date], whichever is earlier.

3. Reliance

Subject to your agreement under Section 1 of this letter and as qualified in Section 2 of this letter you may rely on the Final Report.

In any event, the use or reliance on the Final Report by you shall constitute the agreement of you to be bound by these terms of reliance set out in this letter and that no right to rely on the Final Report is granted to any other party other than as expressly stated in this section.

The following persons may also rely on the Final Report subject always to the foregoing conditions as set out in this letter:

- (i) your related bodies corporate and affiliates;
- (ii) your directors and officers;
- (iii) any fund of which you or your related bodies corporate or affiliates is the manager, Advisor, trustee, responsible entity or general partner;
- (iv) any joint venture, consortium entity or special purpose vehicle that is formed by or with you for the purpose of participating in the transaction;
- (v) any of your other equity participants, investors or co-investors;
- (vi) the financiers for each of the persons named in (a) - (e) above; and
- (vii) each person who becomes a substitute, transferee or assignee of any of the persons named in (i) – (vi) above within 12 months of the closing of the Project.

4. Jurisdiction

This letter is governed by and is construed in accordance with the laws of New South Wales.

*** *** *** *** ***

Yours faithfully

[Consultant]

I have read and understood the terms and conditions of this letter and I agree to accept them and make the relevant acknowledgements for and on behalf of [insert] and I am duly authorised to sign this letter for and on behalf of:

Name

Signature

Name of authorised person

Position of authorised person

Date

.....

<p style="text-align: center;">SCHEDULE 11: Non- Reliance Letter template</p>

[To be addressed to each Recipient of the Report]

Dear Sir

Project (#) – Provision of Interim Vendor Technical and Environmental Due Diligence Report

I, [Consultant's name] (the "Consultant") have been directed by the Hon. Mike Baird, Treasurer, for and on behalf of the Crown in Right of the State of New South Wales (the "**Principal**") to provide [**Recipient**] with a copy of our confidential Interim Vendor Technical Due Diligence Report, expected to be dated [] ("**Interim Report**") in relation to [] (the "**Business**"). The Final Vendor Technical Due Diligence Report will be provided to the successful bidder in the Project process. The successful bidder will be entitled to rely on the Final Vendor Due Diligence Report on the terms set out in a Reliance Letter in the form of [Schedule].

We agree to provide you with a copy of the Interim Report on the terms set out in this letter on the basis that you may review the Interim Report but that you may not rely on it.

For the purposes of this Non-Reliance Letter:

"**Project**" means [] [*Note: definition of specific project to be inserted prior to signing*]

1. No Reliance

You acknowledge and agree that:-

- (a) Subject to the provisions of this letter, the Interim Report has been prepared for the Principal and may not be disclosed, used by or relied upon by any other party without our prior written consent.
- (b) The Consultants disclaim all liability in relation to any party that seeks to rely upon the Interim Report or its contents other than as set out in this letter.
- (c) You are not the Consultant's client and consequently the Consultants have no legal relationship with or obligations to you of any nature whatsoever including of a contractual or fiduciary nature and owes you no duty of care.
- (d) The Consultants do not make or give any recommendations or advice to you and has not been given any instructions by you.

- (e) The Consultants have acted solely in accordance with the instructions of the Principal in preparing the Interim Report and prepared the Interim Report for the benefit of the Principal and has considered only the interests of the Principal in doing so. The matters covered by the Interim Report and the emphasis placed on them may not necessarily address all or any of your specific concerns, purposes, requirements or interests or those of your financiers, investors or any other third party.
- (f) The Interim Report may not cover all matters that a lessee or a buyer of the Business or its assets or a financier or investor of such lessee, buyer or financier may wish to investigate and there may be matters of interest to you or your investors or financiers which have not been considered to be material for the Interim Report or investigated.
- (g) The Interim Report is subject to the Scope, materiality, guidelines, qualifications, methodology and assumptions which are set out therein and agreed with the Principal.
- (h) You and your technical Advisors will be making an independent assessment of the matters which do not fall within the Scope of the Interim Report and that in relation to matters which do fall within the Scope of the Interim Report you will determine for yourself whether those matters require further enquiry.
- (i) The successful bidder may rely on the Final Report (which may be supplemented or updated) but only upon the terms of a separate Reliance Letter in the form of [Schedule].
- (j) The Consultants will not be obliged to inform you of any matter arising or coming to its notice after the date of the Interim Report which may affect or qualify the Interim Report.
- (k) The contents of the Interim Report are confidential and may not be duplicated or disclosed under any circumstances to any other person without our prior consent except that you may disclose the report to the persons listed below but only to the extent necessary for the purposes of your participation in # Project:-
 1. your professional advisors (including financial, accounting, technical, environmental, survey and legal advisors);
 2. your potential funding sources and their advisors;
 3. each of the persons who would be entitled to rely on the Final Report (per the terms of a separate Reliance Letter) if you are the successful bidder;
 4. provided that:-
 1. you ensure that all persons or entities to whom the Interim Report is disclosed maintain the Interim Report in strictest confidence and comply with the terms of this letter on the same basis as you are required to;

2. you provide the persons you disclose the Interim Report to with a copy of this letter and obtain an acknowledgement that they shall comply with the terms of this letter;
3. all persons to whom you disclose this Interim Report acknowledge that the Interim Report is confidential and may not be disclosed to any other party without our prior written consent;
4. all persons to whom you disclose the Interim Report acknowledge that they may not rely upon the Interim Report and that we accept no liability whatsoever in relation to the provisions of the Interim Reports by you to those parties; and
5. a copy of each acknowledgement referred to in this sub-paragraph is provided to us prior to disclosure of the Interim Report to the acknowledging person.

You may disclose the Interim Report if required to do so by law regulation, legal or judicial process or the rule of any stock exchange on which your shares are listed or to seek or establish any defence in any legal proceeding or investigation. In those circumstances, so long as it is lawful to do so, you must give such prior notice as is reasonable of the intended disclosure and limit the disclosure of the contents of this Report to the minimum required to meet such compliance.

If you provide, or cause to provide our Report or enable any of our documentation (including the interim Report) to be used or relied upon by any other party other than as permitted herein, you shall and hereby agree to indemnify and hold us harmless in respect of any damages claimed by such party (whether that claim is made against you, the Principal or us.)

2. Jurisdiction

This letter is governed by and is construed in accordance with the laws of New South Wales.

*** *** *** *** ***

Yours faithfully

[Consultant name]

I have read and understood the terms and conditions of this letter and I agree to accept them and make the relevant acknowledgements for and on behalf of [insert] and I am duly authorised to sign this letter for and on behalf of:

Name

Signature

Name of authorised person

Position of authorised person

Date

.....

Introduction

The proposed lease of the NSW Electricity Networks represents the priority transaction for UBS. This proposal highlights our in depth understanding of the issues specific to the lease and our experience in being able to execute this landmark transaction

- UBS is delighted to submit this proposal to act as Financial Adviser to New South Wales Treasury ("Treasury") in relation to the detailed scoping of, and subject to further decisions of the New South Wales Government, subsequent long term lease of 49% of the New South Wales Electricity Networks (the "Transaction")
- The UBS proposal comprises two volumes:

Volume I	Preliminary assessment of NSW Electricity Networks monetisation considerations	Volume II	Further responses to the RFP Evaluation Criteria
This volume demonstrates our in depth understanding of the key issues associated with the potential Transaction, including an assessment of:		This volume provides further responses to the Evaluation Criteria not otherwise addressed in Volume 1, including:	
<ul style="list-style-type: none">– Current market conditions– Regulatory considerations– Asset readiness and performance benchmarking of the individual NSW Electricity Networks assets– Capital structure considerations– Monetisation options (assets, stakes to be leased, monetisation strategy and sequencing / timetable)– Market appetite and potential investors– Tax structuring considerations		<ul style="list-style-type: none">– UBS' proven credentials, capabilities and execution track record– The UBS team dedicated full time to the project– Proven execution and approach to project management for Government sell side processes– Demonstrated ability to work with the State and other advisers– No conflict confirmation and proposed fees– Additional supporting materials	

*UBS requests that both Volume I and Volume II be considered in assessing our proposal
Together, both volumes demonstrate the breadth of our capabilities and credentials relating to Government sell side processes as well as specialist knowledge in relation to the power, utilities and infrastructure sector*

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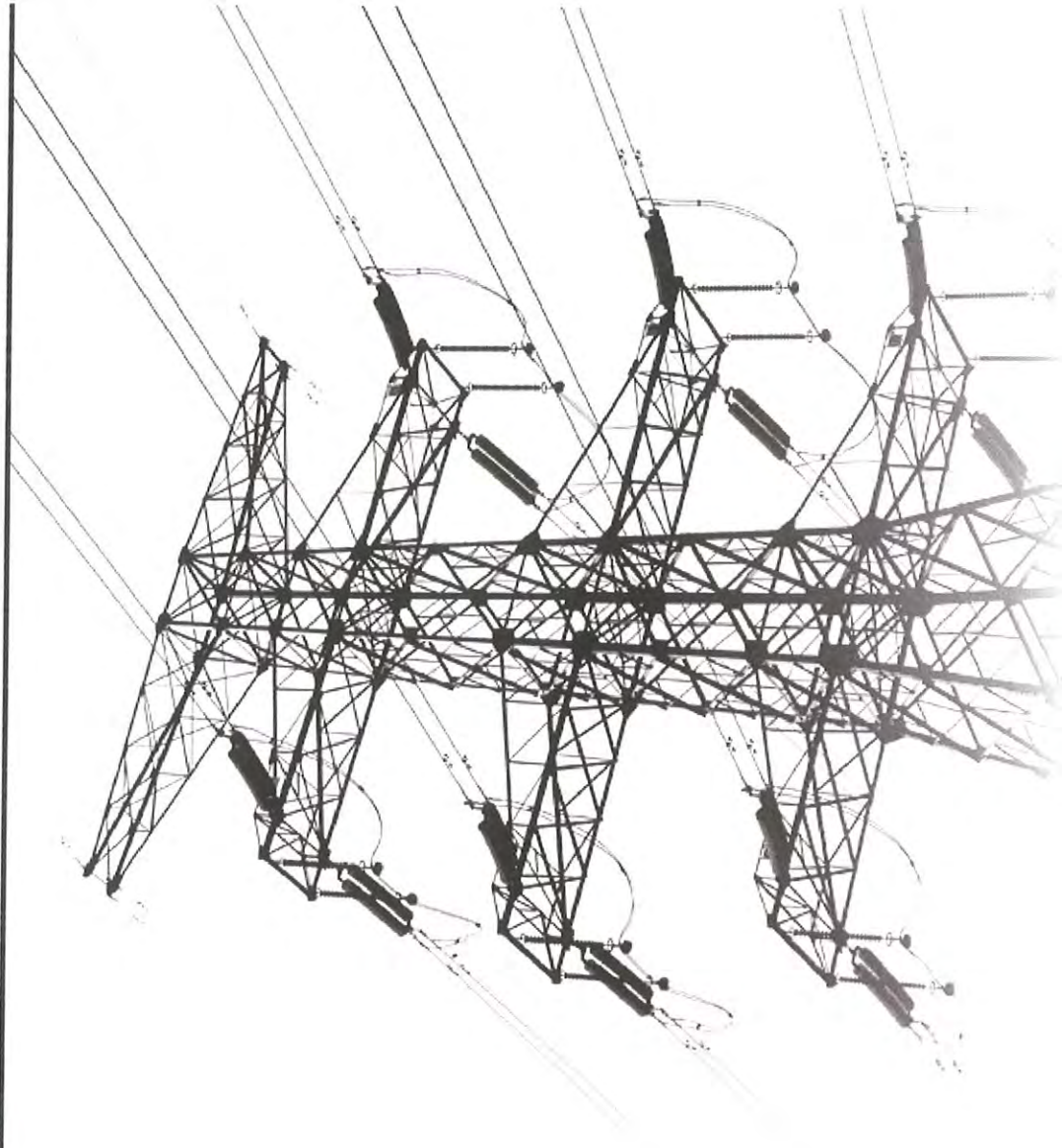


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Evaluation Criterion 1

UBS capability, capacity and experience



Evaluation Criterion 1

UBS' capability, capacity and experience

Evaluation criterion 1

- Capability, capacity and previous experience of the firm and nominated personnel with relevant trade sale, lease and/or IPO transactions including Government sell-side engagements and/or private to private transactions in regulated energy and/or other major infrastructure and utilities

UBS' capability, capacity and experience

We are pleased provide the State with an outline of UBS' capability, capacity and prior experience in each of the following:

1A

Australia's leading utilities and infrastructure adviser

- #1 Australian utilities and infrastructure adviser
- UBS has advised on over \$50 billion of infrastructure transactions over the last decade

1B

Trade sales and leases

- #1 Australian M&A adviser in 2013
- Extensive lease transaction experience including ANZ Terminals, Queensland Motorways, Port Botany / Port Kembla, Aurizon, DP World, Intoll and MAP

1C

IPO transactions

- #1 in Australian utilities and infrastructure IPOs with \$7 billion raised in the last 5 years
- #1 in Australian ECM every year since 2006

1D

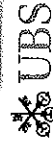
Government sell side transactions

- The UBS team has comprehensive experience working with Government, including Queensland Motorways, QR National WSN Environmental Solutions, ForestrySA and Telstra 3

1E

Private to private transactions

- Extensive private to private infrastructure transaction experience, including ANZ Terminals, Cross City Tunnel, DP World, Freightlink and MAP
- Other recent experience include Wilmar, Horizon Oil, Aurizon, Leighton and Westfield Retail Trust
- Further detail regarding individual team members capabilities is included in Evaluation Criterion 2



In addition, UBS has recently completed a range of scoping studies and is the leading debt adviser in Australia

1F

Select scoping studies

- UBS has conducted extensive scoping studies as part of major sell side transactions, including Queensland Motorways, Aurizon, MAP, WSN, ForestrySA and Telstra

1G

Debt advisory capabilities

- #1 debt adviser for large scale infrastructure financings, including QML staple debt package, CLEM7, NSW Ports (Port Botany / Port Kembla), Aurizon and DP Ports
- #1 house for Australasian issuers accessing global bond markets

1H

Dedicated credit ratings team

- The only investment bank in Australia with a dedicated ratings advisory team
- Recent credit rating processes include Nine Entertainment, Hoyts, GensisCare and Bis Industries

Credentials – Australia's leading utilities and infrastructure adviser

1A

Utilities and infrastructure M&A advisory rankings^{1,2}

2006-2014 YTD		Rank	Financial adviser	Rank value (US\$bn)	Market share (%)	Number of deals
1	UBS	36.4	40.6	29		
2	Macquarie Group	31.9	35.6	31		
3	Lazard	26.1	29.2	25		
4	Goldman Sachs & Co	23.0	25.7	18		
5	Citi	15.3	17.1	9		
6	Rothschild	14.1	15.7	12		
7	Morgan Stanley	10.6	11.9	19		
8	RBS	10.2	11.3	11		
9	Credit Suisse	10.0	11.1	9		
10	BAML	6.5	7.3	5		

2013

1	Lazard	5.9	50.6	3
2	UBS	5.9	50.3	4
3	Morgan Stanley	5.9	50.3	9

2012

1	Citi	3.1	33.4	1
2	Morgan Stanley	2.8	30.0	6
6	UBS	2.4	25.4	3

2011

1	UBS	8.4	47.4	6
2	Rothschild	8.4	47.3	3
3	Lazard	6.8	38.5	4



Source: Thomson Reuters

Notes:

- 1 Australian target, completed deals
- 2 Total market share may be greater than 100% as full credit is given to each eligible adviser

Original

Select Power & Utilities credentials

2014—Adviser on \$100m placement to fund investment in Wheatstone River Gas Pipeline	2013—Adviser on \$100m placement to fund investment in Wheatstone Ashburton Gas Pipeline	2013—Adviser to Networks NSW on submission to Australian Energy Regulator	2012—Adviser on proposed acquisition of Electranet
EDUET	EDUET	Ausgrid	Confidential
Confidential	BPR Assetlink	Sport Energy	Alinta Energy
2012—Adviser on proposed acquisition of Hastings Diversified Utilities Fund	2012—Adviser on \$434m entitlement offer and CHF250m and CHF275m debt issuances	2010—Adviser on strategic review and \$295m entitlement offer	2010—Adviser on strategic review and deleveraging process
Vector	BAGL	Babcock & Brown	Alinta
2008—Adviser to CKI on its acquisition of Vector Electricity Network for NZ\$785m	2007—Adviser to AGI on acquisition of Powerdirect retail business for \$1.2bn	2007—Adviser to B&B consortium on \$14.2bn acquisition of Alinta	2006—Adviser to AGI on \$14.2bn merger with Alinta and energy spin-off

Select other infrastructure sell-side credentials

Current—Adviser in relation to the sale (expected value +\$500 million)	2014—Adviser on sale of QML for \$7.06 billion	2013—Adviser to Receivers on sale of Cross City Tunnel for \$495m	2011—Adviser to MAP Airports on A\$1.6bn asset swap proposal with OTTP
ANZ Terminals	QIC	KordaMentha	MAP
Intoll	FreightLink	KordaMentha	transurban
2010—Takeover response adviser to Intoll on CPPB's A\$5.1bn proposal	2010—Adviser to the receiver of FreightLink on the sale of the Alice Springs to Darwin Railway	2007—Adviser to Receivers on sale of Cross City Tunnel for \$695m	2005—Adviser to Hills Motorway on the unsolicited \$2.2 billion takeover offer from Transurban

Credentials – leading M&A adviser

1B

UBS has successfully maintained its position as the leading M&A adviser in the Australian market over an extended period of time

Australian advisory transactions—2013^{1,2}

Rank	Financial adviser	Rank value (US\$bn)	Market share (%)	Number of deals
1	UBS	35.9	33.5	29
2	Macquarie Group	26.6	24.8	45
3	Morgan Stanley	23.6	22.1	15
4	Goldman Sachs	22.0	20.5	36
5	BoAML	21.6	20.1	10
6	JP Morgan	18.8	17.5	10
7	Rothschild	18.5	17.3	12
8	Lazard	11.4	10.6	14
9	Deutsche Bank	10.1	9.5	14
10	Credit Suisse	9.8	9.2	17

Australian advisory transactions³

Rank	2012	2011	2010	2009	2008	2007
UBS	2	1	1	3	1	1
Macquarie Group	3	3	2	2	3	2
Morgan Stanley	10	9	4	–	4	7
Goldman Sachs & Co	1	2	3	1	10	9
BoAML	15	17	7	18	17	10
JP Morgan	9	4	12	4	9	3
Rothschild	12	15	10	5	20	15
Lazard	4	6	8	14	8	5
Deutsche Bank	14	5	11	7	5	6
Credit Suisse	5	16	5	15	6	12

Source: Thomson Financial

Notes:

- 1 Any Australian involvement, announced deals
- 2 Total market share may be greater than 100% as full credit is given to each eligible adviser
- 3 Any Australian involvement, completed deals



FinanceAsia

Best Investment Bank (2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013)

Best M&A Deal—NSW Ports Consortium (2013), Foxtel/Austar (2012), Noble/Gloucester Coal (2009), St George/Westpac (2008), AGU/Alinta (2006), Foodland (2005)

Most Innovative Deal—Origin Energy EUR500m hybrid (2011); PBL Media spin off and LBO (2006)

Best Equity House—(2006, 2007, 2010, 2011, 2012, 2013)

Best IPO—Virtus Health (2013), QR National (2010), Boart Longyear (2007)

Best Equity-Linked Deal—Suncorp (2013, 2012), ANZ (2011), Westpac (2009)

Best Local Bond Deal—AOFM (2013), BP (2012), AOFM (2011), Tabcorp (2009), AMP (2008), Swiss Re (2007)

ASIAMONEY

Best Investment Bank (2008, 2009, 2010, 2011, 2012)

Best Equity Arranger in Australia (2007, 2009, 2010, 2011, 2012)

Best M&A Adviser (2009, 2010, 2011)

Best IPO—Fonterra (2012), QR National (2010); Trade Me (2011)

Best M&A – Foxtel/Austar (2012), AMP/AXA (2011); Vodafone/Hutchison (2009)

EASTCOLES

Best Investment Bank (2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013)

Best M&A Bank (2005, 2006, 2012)

Best Overall Broker (2006, 2007, 2008, 2009, 2010, 2011, 2012)

Best Research, Derivatives, ECM & Dealing (2003, 2004, 2005, 2006, 2007, 2009, 2010, 2011, 2012)

Best Equity Capital Markets Bank (2010, 2011, 2012, 2013)

CFO

Best Investment Bank (2007, 2009, 2010, 2011, 2013)

Corporate Finance House of the Year – M&A (2011)

Corporate Finance House of the Year – Equity (2010, 2011, 2013)

M&A of the Year —NSW Ports Consortium (2013), AMP/AXA (2011)

IPO of the Year —Trade Me (2012), QR National (2011)

Original

Credentials – trade sale and leases

UBS has advised on a number of landmark trade sale transactions which have involved the sale or acquisition of long term leases. We are the #1 adviser on Australian private treaty transactions

Australian private treaty transactions — 2006-2014 YTD^{1,2}

Rank	Financial adviser	Rank value (US\$bn)	Market share (%)	Number of deals
1	UBS	265.0	30.6	210
2	Macquarie Group	191.5	22.1	278
3	Goldman Sachs	179.1	20.7	193
4	Morgan Stanley	123.8	14.3	69
5	Lazard	117.8	13.6	81
6	Citi	112.1	12.9	92
7	JPMorgan	110.8	12.8	85
8	Deutsche Bank	75.5	8.7	90
9	Greenhill & Co	71.6	8.3	81
10	BAML	70.8	8.2	64

Source: Dealogic

Notes:

- 1 Australian target, announced deals
- 2 Total market share may be greater than 100% as full credit is given to each eligible adviser



2014

Sale adviser to QIC in relation to the A\$7.1 billion sale of Queensland Motorways to a consortium of investors comprising Transurban, Australian Super and ADIA. The QML assets operate under long term leases (40-50 years) from QLD government and Brisbane City Council



2013

Adviser to Queensland Motorways Limited and QIC on the acquisition of a 50 year lease over the Go Between Bridge and Legacy Way tunnel from Brisbane City Council for up to A\$1.6 billion



2013

Adviser to Queensland Motorways Limited and QIC on the acquisition of the CLEM7 tunnel from RiverCity Motorway for A\$618 million. The CLEM7 tunnel operates under a 45 year lease from Brisbane City Council



2013

Adviser to Receivers on sale of Cross City Tunnel for \$500 million. Cross City Tunnel operates under a 30 year lease



2013

Adviser to NSW Ports, a consortium comprising Industry Funds Management, Australian Super, ADIA and QSuper, in relation to the \$5.07 billion acquisition of 99-year leases over NSW state-owned port assets



2013

Adviser to Aurizon in relation to its new long term capital structure involving the establishment of A\$3.0 billion of debt facilities at Aurizon Network. Aurizon Network is a regulated entity that operates under long term leases from the QLD government



2011

Adviser to Map Airports on a cA\$1.6 billion asset swap with Ontario Teachers' Pension Plan Board. Map Airports now operates Sydney Airport under a 99 year lease from the Australian Government



Credentials – trade sale and leases

1B

UBS has advised on a number of landmark trade sale transactions which have involved the sale or acquisition of long term leases. We are the #1 adviser on Australian private treaty transactions



Infra. Investors



2011

Adviser to Citi Infrastructure Investors on its sale of Adelaide Container Terminal to Flinders Ports. Flinders Ports operates under a 99 year lease from the South Australian Government



Infra. Investors



DP WORLD

2011

Adviser to Citi Infrastructure Investors and its major investor on its A\$1.8bn strategic partnership with DP World Australia. DP World operates the stevedoring businesses at major Australian ports several of which have been privatised



2010

Adviser to Intoll in relation to the \$5.1 billion non-binding proposal by Canada Pension Plan Investment Board. Intoll operated toll road assets under long term lease periods



CPP INVESTMENT BOARD



KordaMentha



FreightLink



2010

Adviser to the receiver of FreightLink on the sale of the Alice Springs to Darwin Railway. Freightlink operates under a 50 year lease from the Northern Territory and South Australian Governments



KordaMentha



Cross City Tunnel

2007

Adviser to Receivers on sale of Cross City Tunnel for \$695m – Cross City Tunnel operates under a 30 year lease



2007

Adviser to AGL on the acquisition of the Powerdirect retail business for \$1.2 billion



2006

Adviser to AGL on the \$14.2 billion merger with Alinta and subsequent spin-off of AGL's energy business and 33% of Alinta's retail and co-generation plants



Original

Credentials – IPOs and Equity Capital Markets

1C

Initial public offerings – last decade

- #1 in **Australian** all IPO issuance
- #1 in **Australian** Utilities & Infrastructure
- #2 in **global** Utilities & Infrastructure

Amount raised

\$10.0 billion
\$1.7 billion
\$12.4 billion

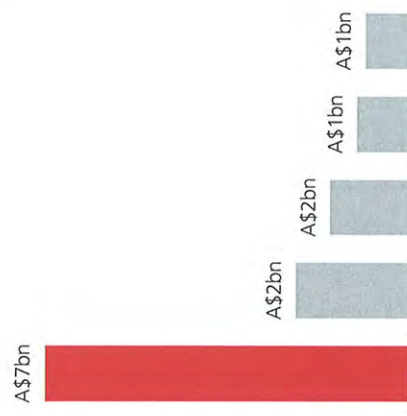
Equity capital markets – last decade

- #1 in **Australian** all ECM issuance
- #1 in **Australian** Utilities & Infrastructure
- #1 in **global** Utilities & Infrastructure

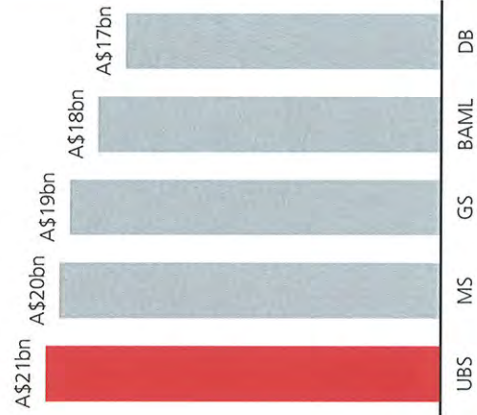
\$83.3 billion
\$11.5 billion
\$48.5 billion

...Our experience and ability to deliver for IPO clients is broad-based and market leading...

Australia all ECM—Utilities & infrastructure¹



Global all ECM—Utilities & infrastructure¹



In Australia we have executed **\$7 billion** of equity raising in the Power Utility and Infrastructure space over the past five years. We have also led various NZ government privatisation processes

Selected Australian / NZ PUI equity issues and government sell-downs

AURIZON	2012-2013—A\$2.7bn Sole Lead Manager on the second (\$1.5bn block + buy-back), third (\$806m block) and fourth (\$350m block) sell downs by the Queensland Government	SP AusNet[®] Joint Lead Manager on state-owned Singapore Power's A\$1.4 billion IPO as part of a dual-listing on the ASX and SGX.	T3 Joint Global Co-ordinator for the sell-down and Sole Business Adviser on the Scoping Study for further sale of Telstra shares.
genesis ENERGY	2010—A\$4.1bn Joint Lead Manager on the A\$4.1 billion IPO of QR National		



2014—NZ\$733m Joint Lead Manager on the IPO of New Zealand's largest electricity retailer	2013—A\$562m Sole Lead Manager and underwriter to Warburg Pincus on the sell-down of its 34% stake in Transpacific	2010-2013—A\$2bn Sole underwriter on \$477m block in 2013, \$631m block in 2012, \$903m block trade in 2011 and \$542m entitlement offer in 2010	2013-14—A\$200m Sole Lead Manager on two \$100m placements in Sep-13 and Jan-14
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Globally, UBS has completed over **250** equity transactions worth **US\$48 billion** in the PUI space since 2005 ...

Selected global PUI equity issues

2014—US\$433m Joint Global Coordinator and Joint Bookrunner for the State's 16.5% sell down in Qingdao Port Intl Co.	2013—US\$500m Joint Bookrunner for ENN Energy's convertible bond issuance	2013—US\$350m Sole Bookrunner for GT Capital's equity placement of primary and secondary shares	2013—US\$122m Global Coordinator and Joint Bookrunner for Towngas China Co's primary share placement
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Note: 1 Thomson equity and equity-linked league tables, 2010-2014YTD

Original

Credentials – IPOs and Equity Capital Markets

1C

UBS is the #1 manager of large scale Australian public share offers and has managed all six large sell downs by Australian governments over the past decade

Australian public share offers >\$2 billion in the last decade

Date	Company	Size (A\$bn)	UBS	JPM	GS	MOG	CS	DB	BAML	RBS	Citi	MS
Nov-06	Telstra	15.5	✓		✓							
Jan-09	Wesfarmers	4.6	✓	✓	✓	✓	✓			✓		
Nov-10	QR National	4.4	✓		✓		✓			✓		
Jul-09	Rio Tinto	4.2		✓		✓	✓			✓		
Nov-10	Woodside	3.3	✓									
May-09	Santos	3.0		✓	✓			✓			✓	
Nov-08	NAB	3.0	✓		✓							
Feb-09	Westfield Group	2.9		✓				✓			✓	
Dec-09	Woodside	2.5	✓				✓				✓	
May-09	ANZ	2.5	✓	✓				✓				
Dec-08	Westpac	2.5	✓	✓								✓
Aug-09	Telstra	2.4	✓									
Jun-09	Asciano	2.3	✓									
Mar-11	Origin Energy	2.3		✓		✓				✓		
Oct-09	Myer	2.2			✓	✓	✓					
Dec-05	Goodman Fielder	2.1	✓			✓	✓					
Jul-09	NAB	2.0			✓			✓		✓		
Nov-08	QBE	2.0		✓	✓	✓						
Total			11	8	6	6	5	5	4	4	3	1
Amount raised			21	7	12	5	4	4	3	4	3	1
Rank			1	3	2	4	5	6	8	7	9	10

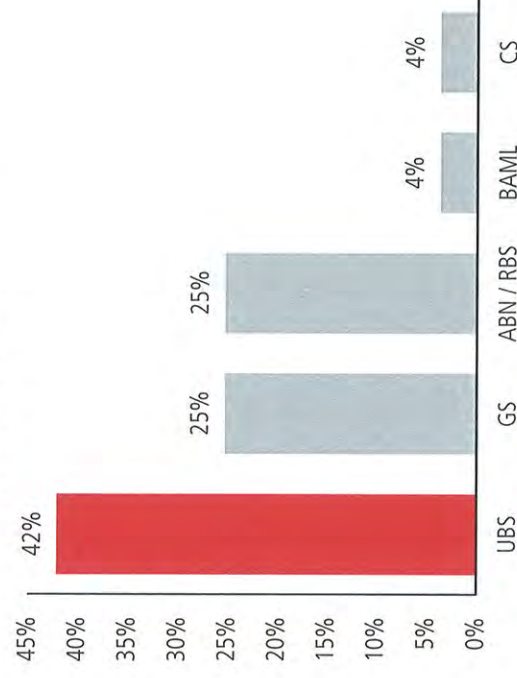
League table of Australian IPOs in the last decade



Australian listed privatisations and Government sell downs in the last decade

Date	Company	Size (A\$bn)	UBS	GS	RBS	BAML	CS
Nov-06	Telstra	15.5	✓	✓			
Aug-09	Telstra	2.4	✓				
Nov-10	QR National	4.4	✓	✓	✓	✓	✓
Oct-12	QR National	0.5	✓				
Mar-13	Aurizon Holdings	0.8	✓				
Dec-13	Aurizon Holdings	0.4	✓				
Total			6	2	2	1	1

Market share of Australian privatisations (equity transactions) in the last decade



Original

Credentials – government sell side transactions

ID

UBS has extensive experience working with Australian governments on large scale transactions, including previous assignments with NSW Treasury



Aus. Government involvement advisory¹

	Financial adviser	Rank value (A\$bn)
1	UBS	73.4
2	Morgan Stanley	66.6
3	Macquarie Group	62.0
4	Goldman Sachs	53.7
5	Lazard	48.6

Aus. privatisation equity issuance¹

	Financial adviser	Rank value (A\$bn)
1	UBS	10.1
2	Goldman Sachs	6.0
3	RBS	6.0
4	BAML	0.9
5	Credit Suisse	0.9

Unparalleled experience in project managing large scale privatisations across Australia and New Zealand...

 May 2014 Financial adviser to QIC on the \$7.1bn sale of Queensland Motorways	 Apr 2014 Joint Lead Manager to the NZ Government on the NZ\$620m IPO of Genesis Energy	 2013, 2012 Sole financial adviser on the \$1.5bn equity sell-down in QRN. Sole placement agent on the \$806m and \$360m equity sell-downs in 2013	 2012 Sole financial adviser to the South Australian Government on the \$670m sale of its forest forward rotations	 2014, 2013 Joint Bookrunner on the £4.2bn and £ 3.2bn secondary sell-downs by the UK Government	 2014 Joint Bookrunner on the €1.3bn sell-down by the Spanish Government
 2010 Joint Lead Manager to the Queensland Government on the \$4.1bn IPO of QR National	future fund 2009 Sole Lead Manager and Underwrite on the Future Fund's \$2.4bn sale of Telstra	 2006 Project Management Joint Global Co-ordinator to the Commonwealth Government for the \$15.5bn sale of Telstra 3	 2005 Sole Business Adviser to the Commonwealth Government on the Scoping Study for the further sale of Telstra shares	 2013 Joint Global Co-ordinator, Joint Bookrunner and Financial Adviser to the UK Government on the £3.2bn IPO of Royal Mail	 2013 Joint Global Co-ordinator on the US\$2.8bn IPO of Cinda Asset Management Corporation for the Government of the PRC



Source: Thomson Financial

Notes:

1. Since 2006, full credit to each adviser, announced, Government owned involvement

Credentials—government sell side transactions

ID

UBS government sell side transactions in Australia

Company	Year	UBS role	Utilities & Infrastructure
 	2014	Adviser to QIC on the sale of Queensland Motorways on behalf of the Defined Benefit Fund for \$7.06 billion	✓
 	2012	Financial adviser to QR National and sole placement agent to the Queensland Government in the Government's \$1.5 billion equity sell-down in QR National	✓
	2011	Adviser to the South Australian Government on the divestment of ForestrySA cutting rights	✓ Quasi-infrastructure in nature



Credentials – government sell side transactions

1D

UBS government sell side transactions in Australia

Company	Year	UBS role	Utilities & Infrastructure
 wsn ENVIRONMENTAL SOLUTIONS	2011	Financial adviser to NSW Treasury in relation to the \$235 million sale of WSN Environmental Solutions	✓ Quasi-infrastructure in nature (landfill) and essential services
 QR NATIONAL	2010	Joint lead manager for the IPO of Queensland Rail	✓
future fund	2009	Sole lead manager and underwriter on a \$2.4 billion block trade in Telstra	
 IT'S HOW WE CONNECT	2006	Joint Global Co-ordinators for the \$16 billion Telstra 3 share offer	










Original

Credentials – select private to private transactions

1E








UBS has advised on various private to private transactions in the utilities and infrastructure sector

Company	Year	UBS role	Utilities & Infrastructure
 ANZ Terminals	Current	Adviser to Private Investors in relation to the sale of ANZ terminals which operate under various long term leases with port operators	✓ Sell side
 Korla Menthha  Cross City Tunnel	2013	Adviser to Receivers on sale of Cross City Tunnel for \$500m. Cross City Tunnel operates under a 30 year lease	✓ Sell side
 QIC  QUEENSLAND MOTORWAYS	2013	Adviser to Queensland Motorways Limited and QIC on the acquisition of the CLEM7 tunnel from RiverCity Motorway for A\$618 million. The CLEM7 tunnel operates under a 45 year lease from Brisbane City Council	✓ Buy side
 MAP  TEACHERS' PENSION PLAN	2011	Adviser to MAP Airports on a c.A\$1.6 billion asset swap with Ontario Teachers' Pension Plan Board. Map Airports now operates Sydney Airport under a 99 year lease from the Australian Government	✓ Sell side

Credentials – select private to private transactions

1E

UBS has advised on various private to private transactions

Company	Year	UBS role	Utilities & Infrastructure
 	2011	Adviser to Citi Infrastructure Investors and its major investor on its A\$1.8bn strategic partnership with DP World Australia	✓ Buy side
	2011	Financial adviser to the Grenda family in the sale of Grenda Transit Management, one of Australia's largest bus operators	✓ Sell side
	2011	Adviser to receivers to Griffin Coal Mining Limited on debt restructuring and potential asset sales	✓ Sell side
 	2010	Takeover response adviser to Intoll on Canada Pension Plan Investment Board's \$3.5 billion conditional non-binding offer	✓ Sell side
	2006	Adviser to AGL on the merger of AGL's regulated utility businesses in NSW and Victoria with Alinta	✓ Sell side



Original

Credentials—select scoping studies

IF

UBS involvement in scoping studies

Company	Year	UBS role
 QIC 	2014	Adviser to QIC on the sale of Queensland Motorways on behalf of the Defined Benefit Fund for \$7.06 billion
 AURIZON	2013	Financial adviser to Aurizon Holdings in relation to its long term capital structure involving the establishment of \$3.0 billion of debt facilities at Aurizon Network
Brambles	2013	Financial adviser to Brambles on the \$1.9 billion demerger of its information management business Recall
 amcor	2013	Financial adviser to Amcor on the \$2.1 billion demerger of its Australasia and Packaging Distribution business (Orora Limited)
 Stockland	2013	Underwriter, bookrunner and lead manager to Stockland on \$400 million institutional placement



Original

Credentials—select scoping studies



UBS involvement in scoping studies

Company	Year	UBS role
	2011	Adviser to MAP Airports on a c.\$1.6 billion asset swap proposal with Ontario Teachers' Pension Plan Board
	2011	Financial adviser to NSW Treasury in relation to the \$235 million sale of WSN Environmental Solutions
	2011	Adviser to the South Australian Government on the divestment of ForestrySA cutting rights
	2011	Adviser to NSW Treasury on the grant of a 15 year concession for the RTA Special Number Plates business
	2011	Adviser to Telstra on its \$11 billion definitive agreements to participate in the rollout of the National Broadband Network



Credentials—select scoping studies

IF

UBS involvement in scoping studies

Company	Year	UBS role
 	2010-11	Adviser to Fonterra on the design and implementation of Trading Amongst Farmers, including the IPO of the Fonterra Shareholders Fund
	2010	Joint lead manager for the IPO of Queensland Rail, the largest IPO in Australia since Telstra
	2010	Adviser to Spark Infrastructure on its strategic review and Joint Lead Manager on \$210 million capital raising
	2006	Joint lead manager for the \$3 billion proposed IPO of Snowy Hydro
	2006	Joint Global Co-ordinators for the \$16 billion Telstra 3 share offer—the second largest equity raising and largest sale of an individual government ownership position in Australia's history



Original

Credentials— debt advisory capabilities

1G

Strategies in relation to raising debt within the NSW Electricity Networks will be critical. We have outlined our debt advisory credentials given the importance of this component to the Transaction

1 Leading debt advisory team

- UBS has leading debt advisory capabilities in power, utilities and infrastructure financings
- UBS is the #1 debt adviser for large scale infrastructure financings
 - QM sale—staple debt package; QML—Clem7 acquisition; Port botany / Port Kembla; Aurizon Network; Citi / DP Ports
- Ability to provide independent and product agnostic advice on optimal capital structures and financing strategies



2 Leading capital markets house for Australasian borrowers

- UBS is the #1 house for Australasian issuers accessing global bond markets. In particular, UBS is the #1 A\$ MTN House (ex major banks), including leading 2013's award-winning debut 7-year \$525 million transaction for Aurizon Network (Baa1/BBB+), and a leading USPP house, acting as Sole Lead Manager on the most recent Australian corporate issue for Ansell



3 Market leading derivatives capability

- Effective combination of independent advice where required and value-add execution ability
- Execution focus on long dated cross currency swaps where liquidity and pricing may be challenging
- Significant experience across the infrastructure sector



4 Prepared to use balance sheet

- As required, UBS has capacity to provide balance sheet support including by way of cross currency swaps, bank debt including "bridge to bond" facilities and underwriting bond issuance



Original

Credentials— debt advisory capabilities

10

UBS has a long track record of successfully delivering competitive debt financing packages for major Australian infrastructure transactions

Select transactions	Summary
	2014 - UBS acted as financial adviser to QIC on the sale of its interest in Queensland Motorways
	2014 - UBS acted as financial adviser to ERM Power on the proposed acquisition of Macquarie Generation from the NSW state government
	2014 - UBS acted as financial adviser to Newcastle Port Group consortium for the Port of Newcastle lease offered for sale by the NSW state government
	2013 - UBS acted as financial adviser to QML on the acquisition of the Clem7 toll road in Brisbane
	2013 - UBS acted as mandated lead arranger, underwriter, swap co-ordinator and bookrunner on a \$7.4 billion financing package
	2013 - UBS acted as financial adviser to the NSW Ports consortium on its successful acquisition of Port Botany and Port Kembla 99 year leases
	2013 - UBS acted as financial adviser to the Aurizon Group on arranging \$3.6 billion of debt facilities
	

Credentials— debt advisory capabilities

1G

UBS is the leading house for Australasian issuers accessing global bond markets

House of choice for Australian issuers

- UBS is ranked number 1 for Australasian issuers across all of the key global bond markets
- Since 2013, UBS' Australian DCM business has executed more than 56 transactions for Australian and international issuers across the US 144a, USPP, EUR, CHF and A\$ Institutional and A\$ Retail markets

Australasian issuers league table

Rank	Underwriter	Mkt Share (%)	Vol. (US\$m)	No. of deals
1	UBS	9.9%	4,562	13
2	CITI	9.8%	4,561	10
3	DB	9.0%	4,175	9
4	WBC	8.6%	3,961	13
5	JPM	7.7%	3,544	9
6	GS	5.6%	2,589	7
7	BARC	5.6%	2,576	6
8	ANZ	4.4%	2,050	11
9	NAB	4.4%	2,049	13
10	RBC	4.1%	1,892	6

1 Jan 2014 — 1 May 2014
Source: Dealogic, UBS
Markets included: US 144a, USPP, A\$, EUR, GBP, CHF, JPY
Includes FIG, corporate, gov and semi gov issuers
Excludes self-led deals / bank involvement in own deal not credited

UBS is a leading house in the Eurobond and A\$ domestic market

Euro house of choice for Australasian borrowers

#	Lead	Mkt Share	Vol. (US\$m)	# deals
1	UBS	14.9%	4,354	16
2	DB	12.8%	3,726	10

2013 - AU / NZ issuers - Eurobonds

Source: Bloomberg, UBS

Top Swiss Franc house for corporates

#	Lead	Vol. (m)	%	#	Lead	Vol. (m)	%
1	UBS	4,111	37	1	UBS	5,509	32
2	CS	3,897	35	2	CS	4,867	28
3	ZKB	1,319	12	3	ZKB	2,340	14

Source: Bloomberg, UBS

Top non-Major bank for A\$ issuance in last 5 years

Debt - Country Specific - Australia	Custom Dt	01/01/14	12/31/14	Range Count
Underwriter	Rank	Mkt Share (%)	Amount AUD	
1) ANZ Banking Group	1	14.4	57,907.85	
2) Westpac Banking	2	13.1	52,723.26	
3) UBS	3	12.7	51,207.48	
4) Commonwealth Bank Aust	4	10.2	41,267.28	
5) RBC Capital Markets	5	8.3	33,555.17	
6) Deutsche Bank AG	6	7.6	30,841.27	
7) TD Securities	7	6.4	26,005.00	
8) National Australia Bank Ltd	8	5.7	22,872.40	
9) JP Morgan	9	5.2	21,140.70	
10) RBS	10	3.7	14,835.23	

Source: Bloomberg
Note: Excludes self-led transactions

UBS' market leading position among Australasian corporates has translated into a number of recent transactions

Recent UBS-led Corporate transactions

Brambles 12-Jun-14 €500m Senior FXD due 2024	SP AusNet 31-Jan-14 €350m Senior FXD due 2024	Aurizon 17-Oct-13 \$525m Senior FXD due 2020
origin 2-Oct-13 US\$800m Senior FXD due 2018	transurban 30-Sep-13 €500m Senior FXD due 2020	origin 27-Sep-13 €800m Senior FXD due 2021
origin 17 / 25-Mar-13 €750m / €150m Senior FXD due 2020 / 2023	Aurora 14-Mar-13 US\$300m Senior FXD due 2020	Healthscope 4-Mar-13 A\$305m Subordinated FXD due 2018
BORAL 23-Jan-13 CHF150m Senior FXD due 2020	SP AusNet 22-Nov-12 CHF275m Senior FXD due 2019	Mufarm 28-Sep-12 US\$325m Senior FXD due 2019
bhpbilliton 19-Sep-12 £1.75bn Senior FXD due 2024/42	CROWN 13-Aug-12 A\$532m Subordinated FRN due 2072	CALTEX 31-Jul-12 A\$550m Subordinated FRN due 2037



Original

Credentials— debt advisory capabilities

1G

Leading execution capabilities in all key global bond markets allows UBS to be market / product agnostic



Original

Credentials—dedicated credit ratings team

1H

Delivering an optimal outcome for the State on the impact of the leases on the State's balance sheet will be critical. UBS is the only investment bank that has a dedicated Australasian based ratings advisory team

The UBS team has recently managed a number of credit ratings processes

Recent credit ratings advisory work	
 Australian energy company S&P and Moody's ratings process August 2012, March 2013	<ul style="list-style-type: none"> Confidential S&P and Moody's ratings obtained to gain flexibility to access new debt markets
 Nine Entertainment S&P and Moody's ratings process January 2013	<ul style="list-style-type: none"> Ratings obtained to access US TLB market to support recapitalisation Subsequent TLB issues
 Hoyts Group S&P and Moody's ratings process May 2013	<ul style="list-style-type: none"> S&P and Moody's ratings obtained to access US TLB market to support dividend recapitalisation
 GenesisCare S&P and Moody's ratings process June 2013	<ul style="list-style-type: none"> Public S&P and Moody's ratings obtained to support refinancing alternatives
 Ansell Ratings Evaluation Service November 2013	<ul style="list-style-type: none"> Advice in connection with the acquisition of BarrierSafe Formal engagement with rating agencies
 Bis Industries S&P and Moody's ratings process March 2014	<ul style="list-style-type: none"> Confidential S&P and Moody's ratings obtained to gain flexibility to access new debt markets

We are well placed to assist the State in obtaining credit ratings as quickly as possible

Benefits

- Strong relationships with credit rating analysts and familiarity with their individual styles
- Understanding of agencies current internal processes and procedures
- Goodwill with business development teams
- Dedicated team that acts as interface between company and ratings agencies
- Offshore ratings advisory teams available to support escalation of key issues

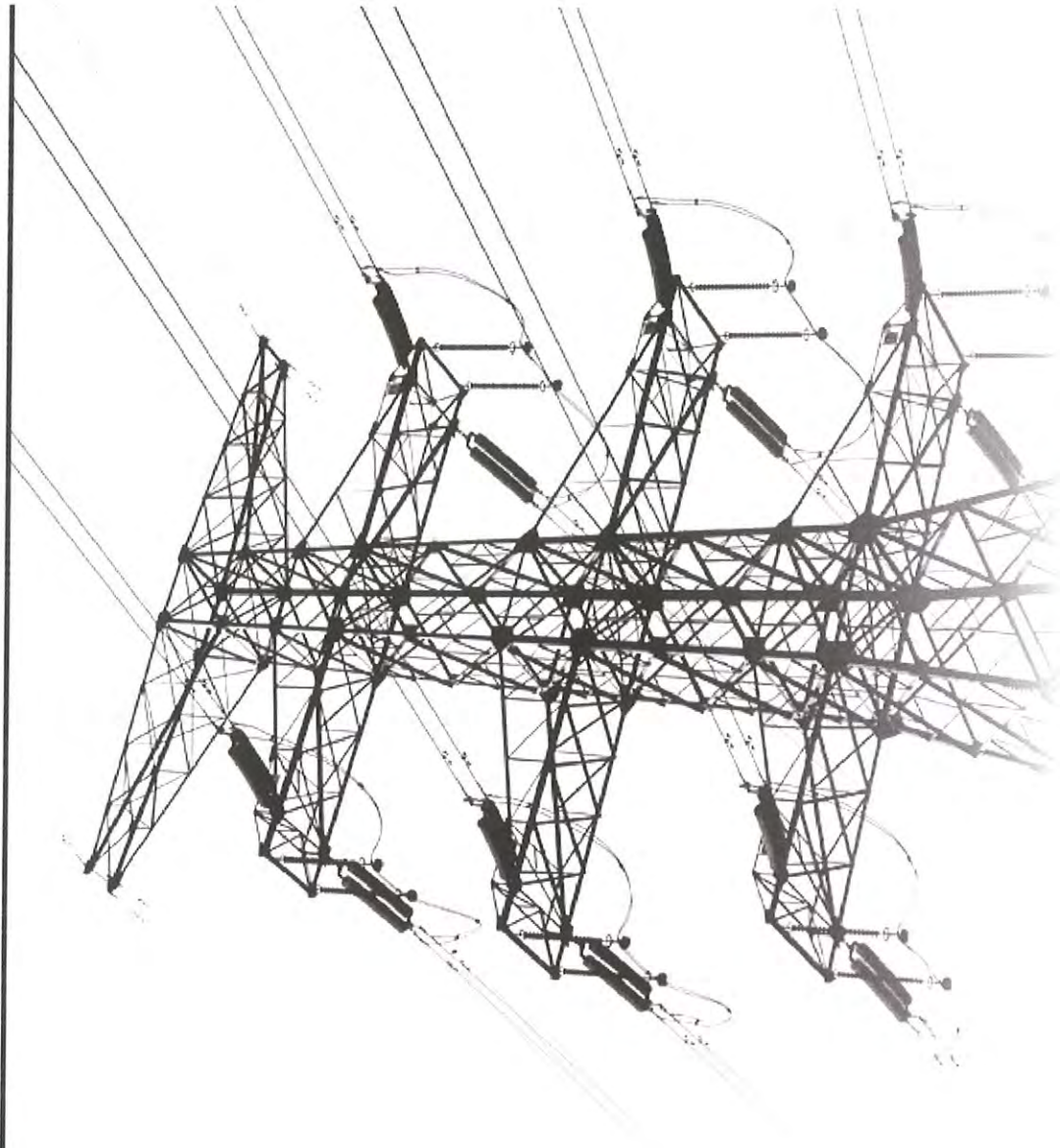


Original



Evaluation Criterion 2

UBS' dedicated team for the project



Evaluation Criterion 2

UBS' dedicated team for the project

Evaluation criterion 2

- Depth and quality of the pool of people dedicated full time to the project

UBS' dedicated team for the project

2A

The NSW Electricity Transaction is UBS' #1 priority transaction. We have committed our best and most experienced team for the mandate

Senior sponsorship



Matthew Grounds
Managing Director
CEO, UBS Australasia
Time: as required
Years at UBS: 20
Years in industry: 22

Relevant experience:
• SP AusNet
• AGL
• Alinta Energy
• Intoll
• Transurban

- The UBS team will be led by Guy Fowler (Chairman of Investment Banking), Anthony Sweetman (Head of Investment Banking) and Jarrod Key (Head of Power, Utilities and Infrastructure)
- UBS will bring together the resources of one of Australia's largest investment banks with over 120 advisory staff as well as our global network of power, utilities and infrastructure specialists

Fully dedicated project leaders and primary contacts



Guy Fowler
Managing Director
Chairman of Investment
Banking, Australasia
Time: 50-75%
Years at UBS: 19
Years in industry: 24

Relevant experience:
• Genesis Energy
• QML
• Aurizon
• QR National
• T3



Anthony Sweetman
Managing Director,
Head of Investment
Banking, Australasia
Time: 100%
Years at UBS: 17
Years in industry: 20

Relevant experience:
• Energy Developments
• Westfield Retail Trust
• Intoll
• Fonterra
• Arrow Energy



David Di Pilla
Managing Director
Time: as required
Years at UBS: 10
Years in industry: 19

Relevant experience:
• SP AusNet
• AGL
• Alinta Energy
• Intoll
• Transurban

Specialist industry expertise

Fully dedicated core execution team



Jarrod Key
Managing Director
Head of Power, Utilities
and Infrastructure
Time: 100%
Years at UBS: 6
Years in industry: 13

Relevant experience:
• DUET
• QML
• Transurban
• Port Botany / Port
• Kembla
• CLEM7



Sam Kyprianou
Executive Director
Time: 100%
Years at UBS: 4
Years in industry: 9

Relevant experience:
• QML
• Transurban
• QR National
• Port Botany / Port
• Kembla



Alex Hammacher
Director
Time: 100%
Years at UBS: 7
Years in industry: 7

Relevant experience:
• Thames Water
• UK Power Networks
• Synergy
• ERM Power
• EDP
• International Power



Victoria Hardie
Director
Time: 100%
Years at UBS: 7
Years in industry: 7

Relevant experience:
• ERM Power
• Synergy
• Port of Newcastle
• Sydney Airport



Darren Tan
Associate Director
Time: 100%
Years at UBS: 3
Years in industry: 6

Relevant experience:
• QML
• EnergyAustralia
• SP AusNet
• Origin Energy



Yeou-Herng Shaw
Associate Director
Time: 100%
Years at UBS: 4
Years in industry: 6

Relevant experience:
• Energy
• Developments
• DUET
• Port Botany / Port
• Kembla



Julian Reddick
Associate Director
Time: 100%
Years at UBS: 4
Years in industry: 4

Relevant experience:
• QML
• CCT
• DP World
• Veolia Water



Shashank Ramakrishnan
Analyst
Time: 100%
Years at UBS: 3
Years in industry: 3

Relevant experience:
• ERM Power
• DUET
• Port Botany / Port
• Kembla























Daniel Wu
Analyst
Time: 100%
Years at UBS: 1
Years in industry: 2

Relevant experience:
• Port of Newcastle
• CLEM7






UBS' dedicated team for the project – depth and quality

2B

Selected key relevant transactions			
Staff and experience	Location	Time	Responsibility
1 Government sell side	2 Power, Utilities & Infrastructure	3 Private to private	
Project leaders  Guy Fowler Managing Director Chairman of Investment Banking, Australasia  Anthony Sweetman Managing Director Head of Investment Banking, Australasia	Sydney		<ul style="list-style-type: none"> Strategic advice and oversight of the transaction team Strategic advice and oversight of the transaction team Responsible for overall project delivery Transaction structuring advice
	Sydney		<ul style="list-style-type: none"> Day-to-day execution of the entire transaction Transaction structuring advice Interaction with bidders and negotiations Specific regulated utility expertise
	Melbourne		<ul style="list-style-type: none"> Transaction structuring advice Interaction with bidders and negotiations Negotiation of all relevant transaction documentation Debt financing strategies
	Sydney		<ul style="list-style-type: none"> Interaction with bidders and negotiations Specific regulated utility expertise
Core execution  Sam Kyprianou Executive Director  Alex Hammacher Director  Victoria Hardie Director	Sydney		<ul style="list-style-type: none"> Queensland Motorways Aurizon restructure QR National IPO Telstra IPO Forestry SA
	Sydney		<ul style="list-style-type: none"> Westfield Westpac Intoll Fairfax Woolworths Crown
	Melbourne		<ul style="list-style-type: none"> Queensland Motorways Aurizon restructure QR National IPO WSN Environmental Solutions MAP / OTHP asset swap Asciano Intoll Transurban / LCT
	Sydney		<ul style="list-style-type: none"> ERM Power Sorgenia International Power Macquarie Communications Group Royal Adelaide Hospital
Core execution  Sam Kyprianou Executive Director  Alex Hammacher Director  Victoria Hardie Director	Sydney		<ul style="list-style-type: none"> Queensland Motorways Aurizon restructure QR National IPO QTC's block of Aurizon holding Synergy Thames Tideway Tunnel EDP
	Sydney		<ul style="list-style-type: none"> Westfield Westpac Intoll Fairfax Woolworths Crown
	Melbourne		<ul style="list-style-type: none"> Queensland Motorways Aurizon restructure QR National IPO WSN Environmental Solutions MAP / OTHP asset swap Asciano Intoll Transurban / LCT
	Sydney		<ul style="list-style-type: none"> ERM Power Sorgenia International Power Macquarie Communications Group Royal Adelaide Hospital

UBS' dedicated team for the project – depth and quality

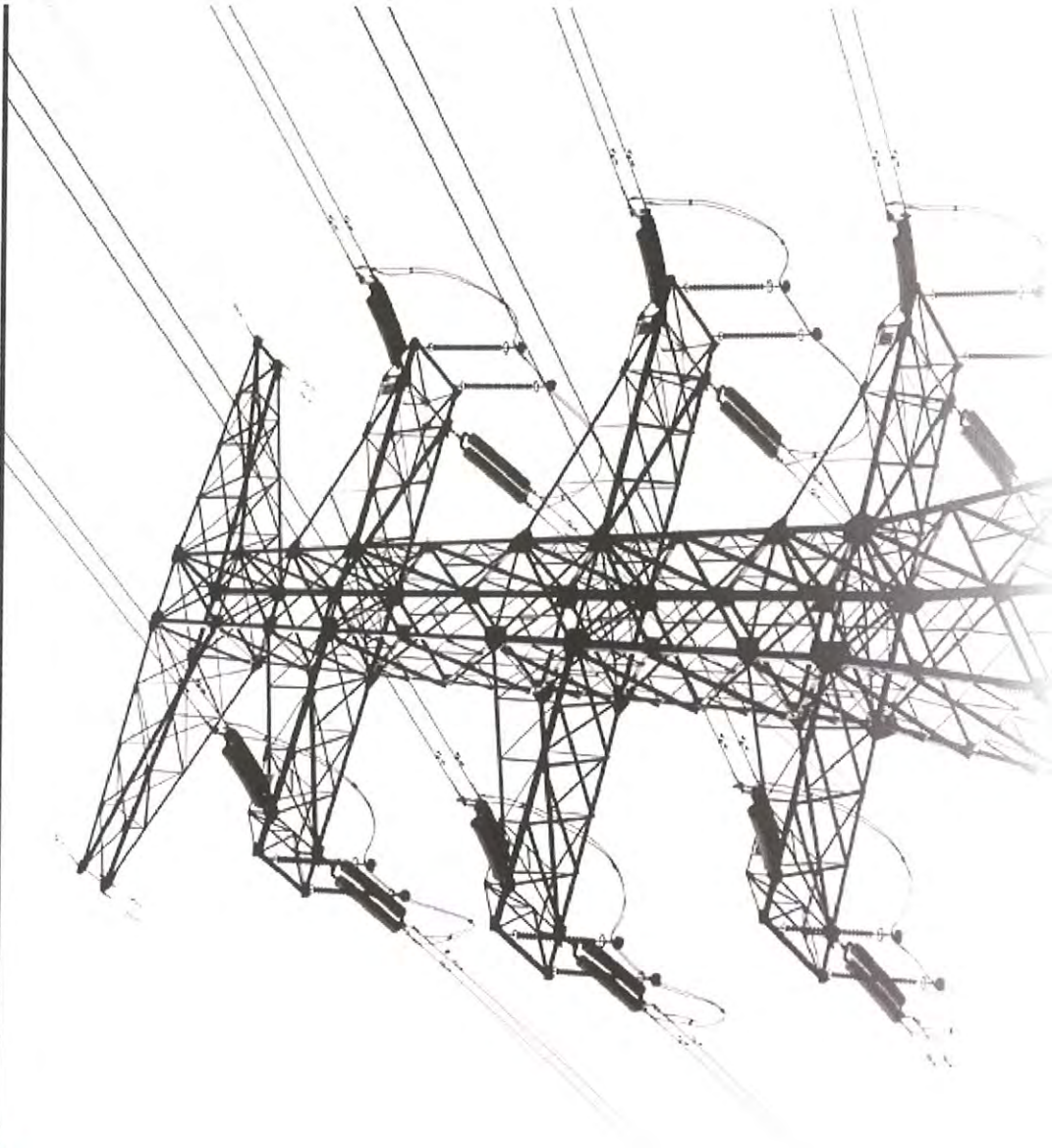
2B

Staff and experience		Location	Time	Responsibility	Key relevant transactions
Core execution		Darren Tan Associate Director	Sydney	<ul style="list-style-type: none"> Day-to-day execution and support all key work streams from the sector perspective Valuation workstream lead 	<ul style="list-style-type: none"> Queensland Motorways sale CLEM7 (QMH acquisition) Origin Energy Sydney Airport TRU Energy IPO
		Yeou-Herng Shaw Associate Director	Sydney	<ul style="list-style-type: none"> Day-to-day work streams, due diligence and project management Co-ordination of due diligence Preparation of presentations 	<ul style="list-style-type: none"> Port of Newcastle long-term lease Port Botany / Port Kembla long-term lease DUET Group Sydney Airport refinancing
		Julian Reddick Associate Director	Sydney	<ul style="list-style-type: none"> Assist with day-to-day execution, valuation, due diligence and project management Assisting with the valuation workstream, and the co-ordination of due diligence 	<ul style="list-style-type: none"> Queensland Motorways sale CLEM7 (QMH acquisition) Go Between Bridge / Legacy Way DP World refinancing
		Shashank Ramakrishnan Analyst	Sydney	<ul style="list-style-type: none"> Primary financial modeller Assist with preparation of presentations and due diligence summaries 	<ul style="list-style-type: none"> Port Botany / Port Kembla long-term lease Macquarie Generation DUET Group Transurban Eurobond
		Daniel Wu Analyst	Sydney	<ul style="list-style-type: none"> Support and co-ordinate key execution related work streams Assist with preparation of presentations and due diligence summaries 	<ul style="list-style-type: none"> Port of Newcastle long-term lease CLEM7 DUET Group



Evaluation Criterion 3

UBS' supporting team for the project



Evaluation Criterion 3

UBS' supporting team for the project

Evaluation criterion 3

- Depth, quality and level of commitment of people supporting the project

UBS' supporting team for the project – Australia

3A


UBS' core team will be complemented by a deep pool of Australian based personnel across all key specialist product and sector areas, with support from each of UBS' global networks

Global PUI coverage




Stephen Paine
Global Head of Infrastructure
Time as required
Years at UBS: 25
Years in industry: 25


ECM



Dane FitzGibbon
Managing Director, Co-Head of Global Capital Markets
Time: as required
Years at UBS: 10
Years in industry: 14




Simon Cox
Managing Director, Head of Equities Syndication
Time: as required
Years at UBS: 20
Years in industry: 20




Tom Snowball
Associate Director
Time: as required
Years at UBS: 4
Years in industry: 7


DCM and Debt advisory



Barry Sharkey
Managing Director, Co-Head of Global Capital Markets
Time: as required
Years at UBS: 8
Years in industry: 10




Vijendra Satkunasingam
Executive Director
Time: as required
Years at UBS: 1
Years in industry: 16




Robert Kirk
Senior Adviser
Time: as required
Years at UBS: 20
Years in industry: 33

Rating advisory




Michael Liu
Executive Director, Head of Ratings Advisory
Time: as required
Years at UBS: 9
Years in industry: 17




Charlie Daish
Associate Director
Time: as required
Years at UBS: 4
Years in industry: 6

Tax structuring




Andrew Buchanan
Executive Director
Time: as required
Years at UBS: 14
Years in industry: 14

Derivatives and hedging




Peter Kingston
Executive Director
Time: as required
Years at UBS: 14
Years in industry: 21



Josephine Napoli
Executive Director
Time: as required
Years at UBS: 4
Years in industry: 21

Government advice

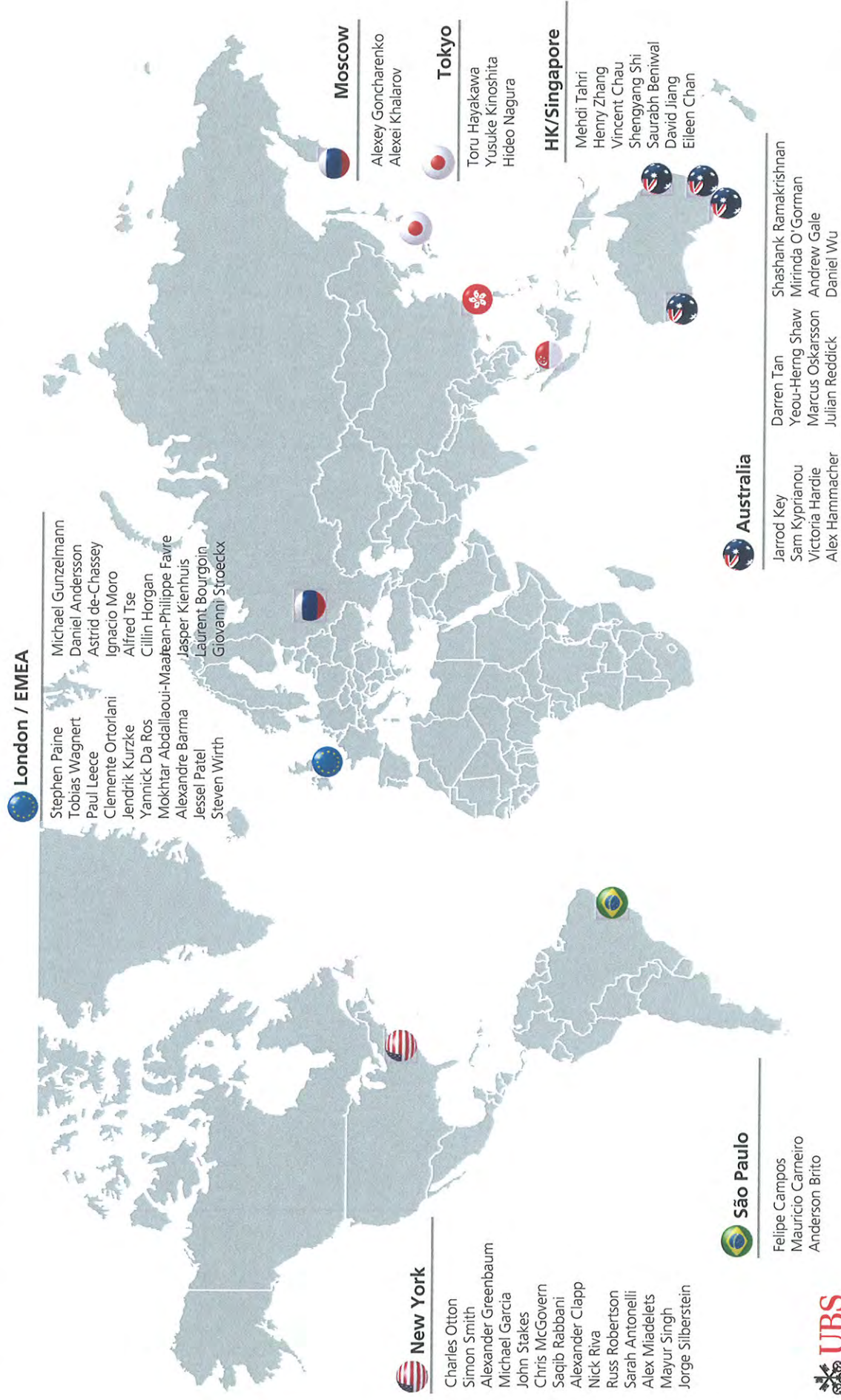


Robert Maher
Senior adviser
Time: as required
Years at UBS: 14
Years in industry: 14

UBS' supporting team for the project – global utilities and infrastructure network

3B

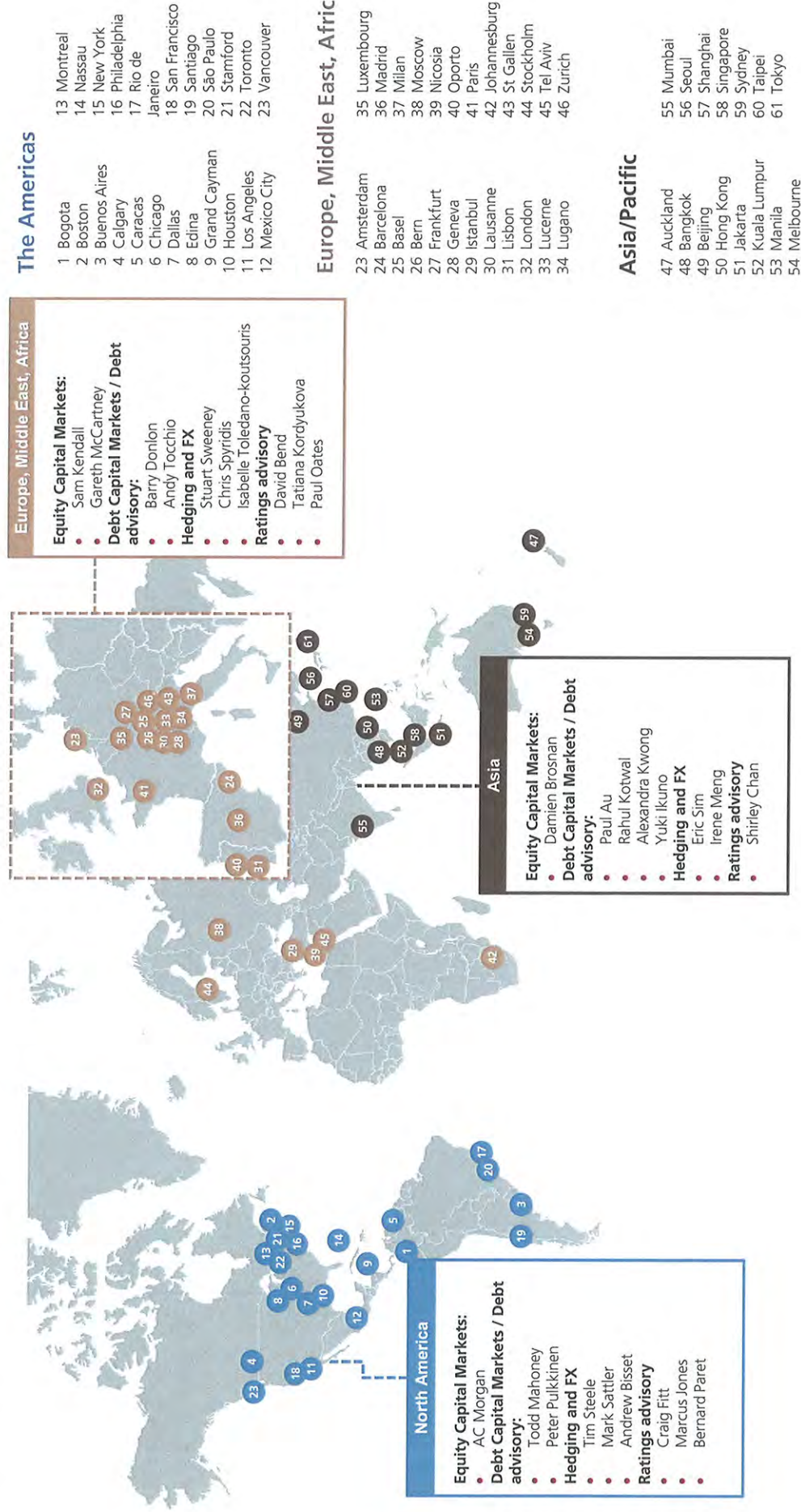
UBS will draw upon its global network of utilities and infrastructure advisers to assist in the Transaction



UBS' specialist supporting team for the project – global UBS network

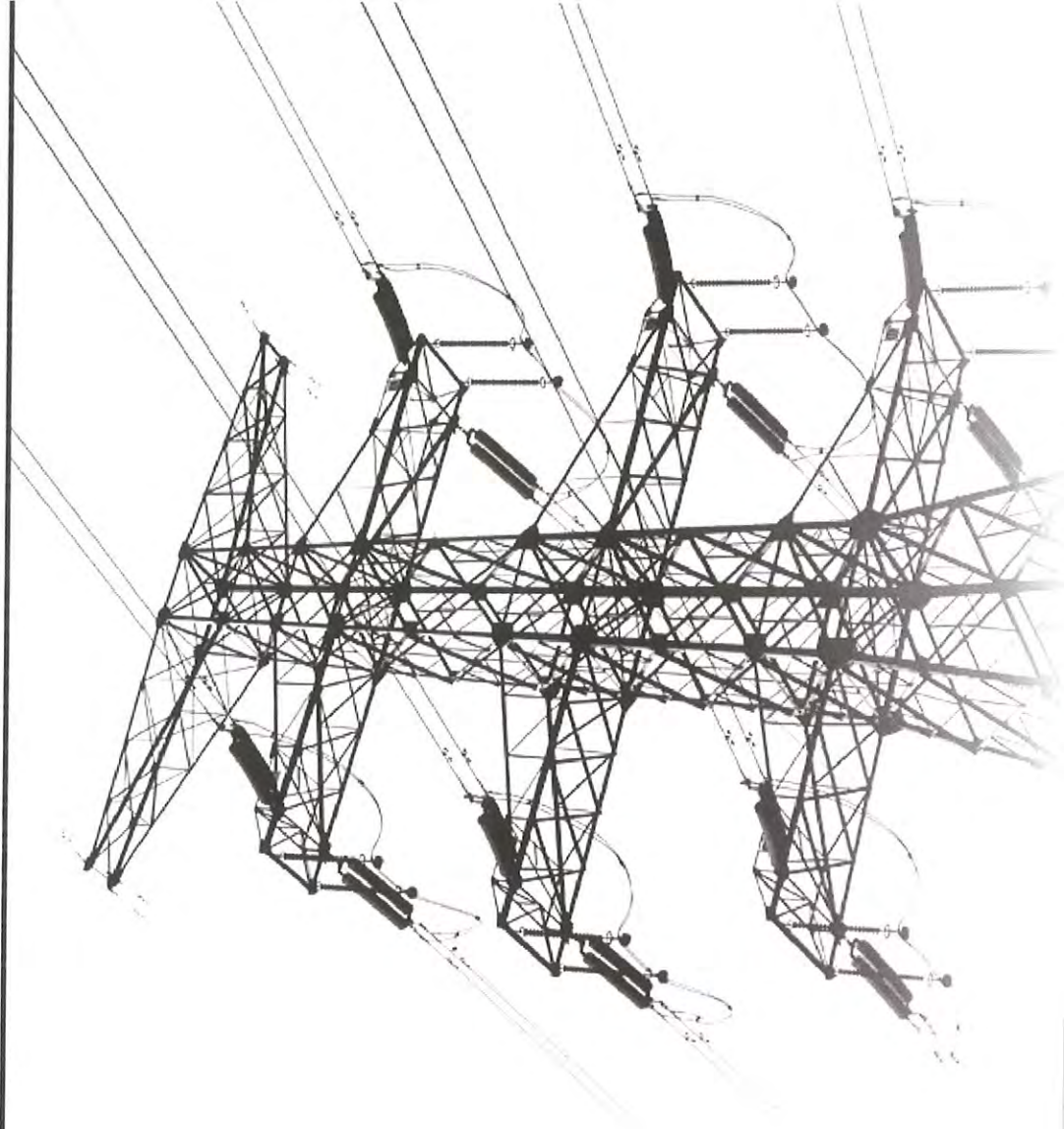
3B

UBS' global network will ensure access to all regional pools of equity and debt capital by local UBS representatives, ensuring a globally optimised solution for a transaction with the international profile of NSW Electricity Networks



Evaluation Criterion 4

Understanding of issues in a government context



Evaluation Criterion 4

Understanding of the financial, commercial, policy and regulatory issues

Evaluation criterion 4

- Demonstrated understanding of the financial, commercial, policy and regulatory issues in a government context relevant to the Project

Understanding of financial, commercial, policy and regulatory issues

We request that our responses to this criterion are read in conjunction with the relevant sections of Volume I of our Response to Request for Proposal



RFP response reference



Understanding of financial, commercial, policy and regulatory issues

We request that our responses to this criterion are read in conjunction with the relevant sections of Volume I of our Response to Request for Proposal

[Redacted content]

RFP response reference

[Redacted content]

Understanding of financial, commercial, policy and regulatory issues

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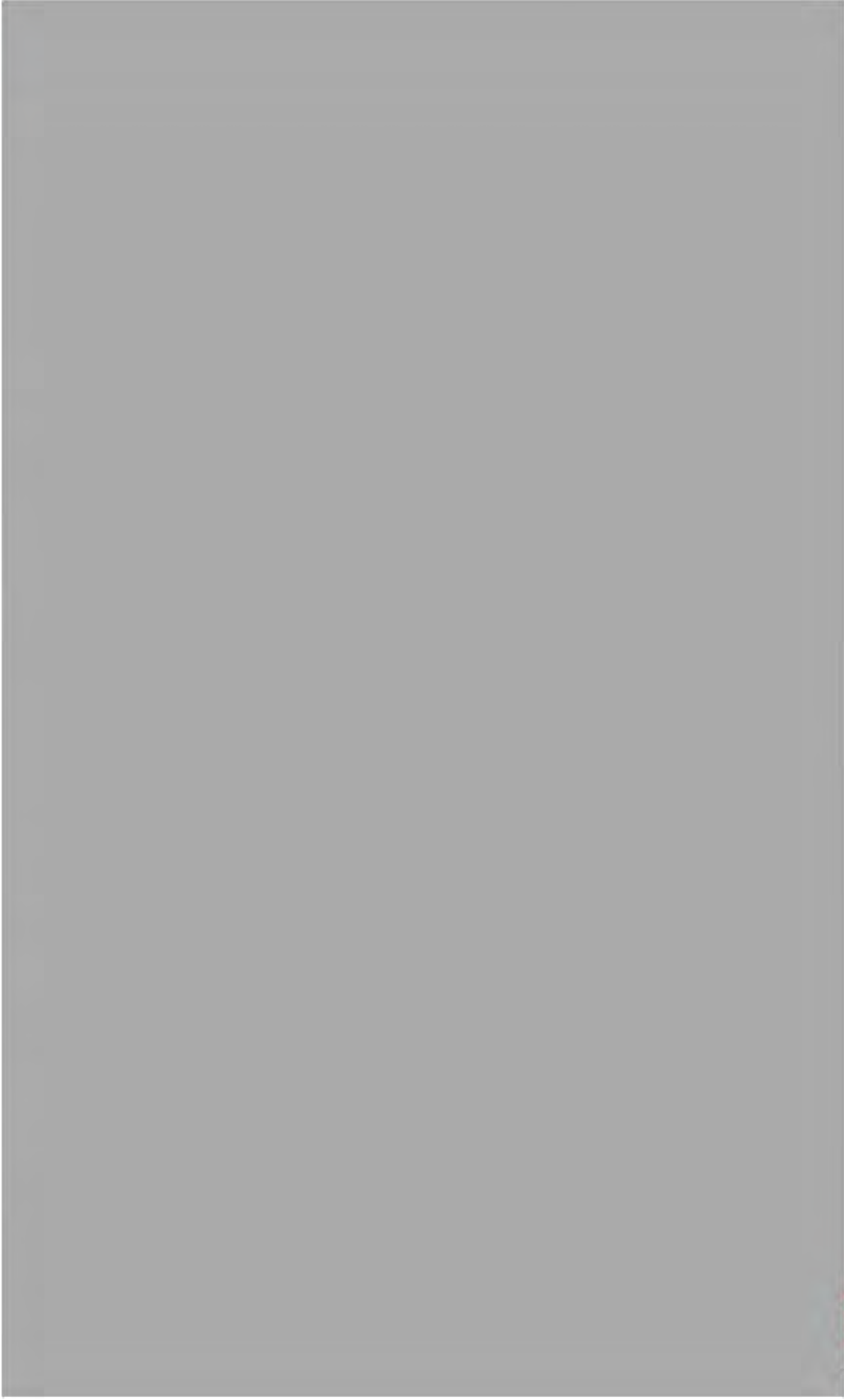


RFP response reference



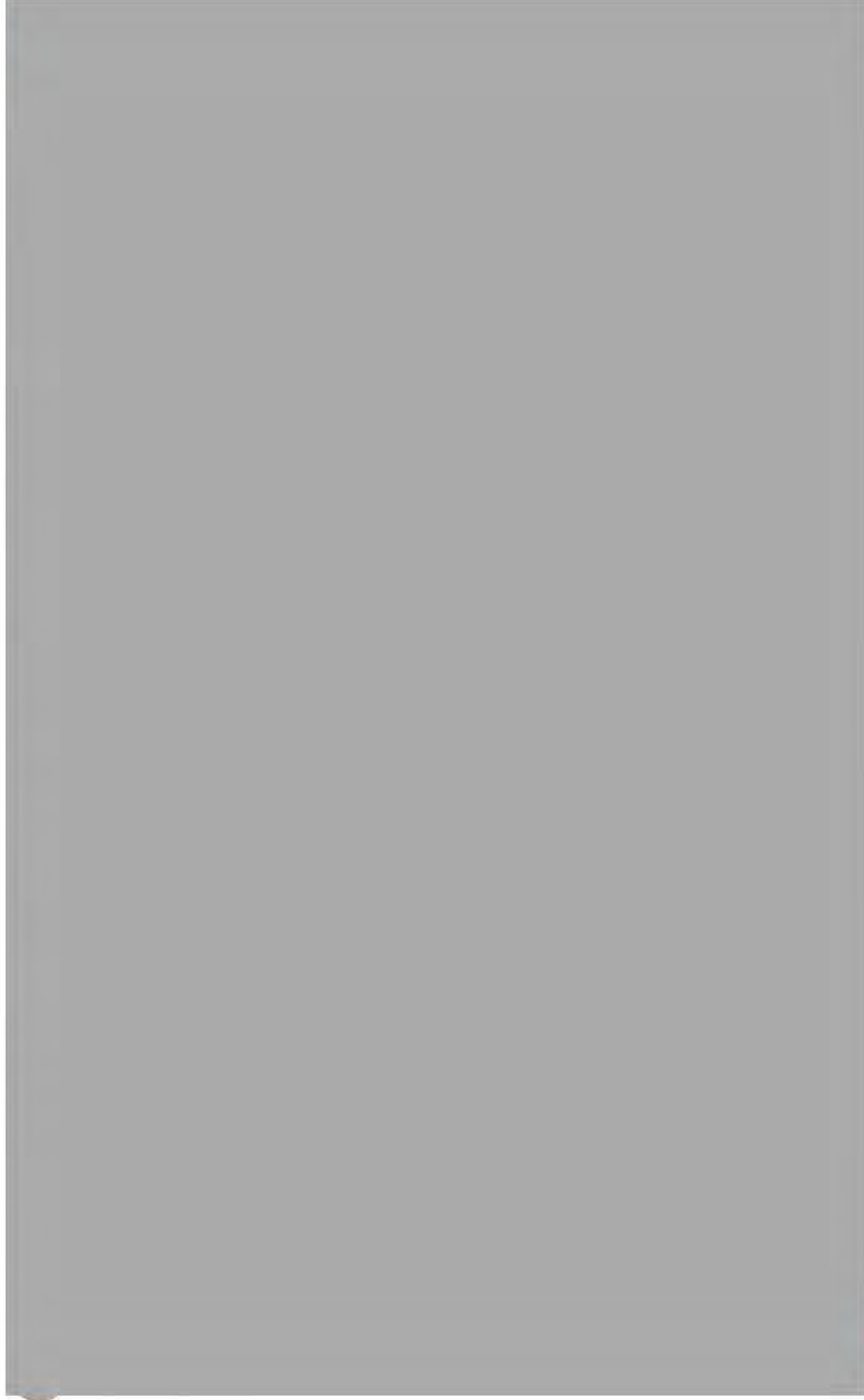
Project issues in a government context – other financial

4A



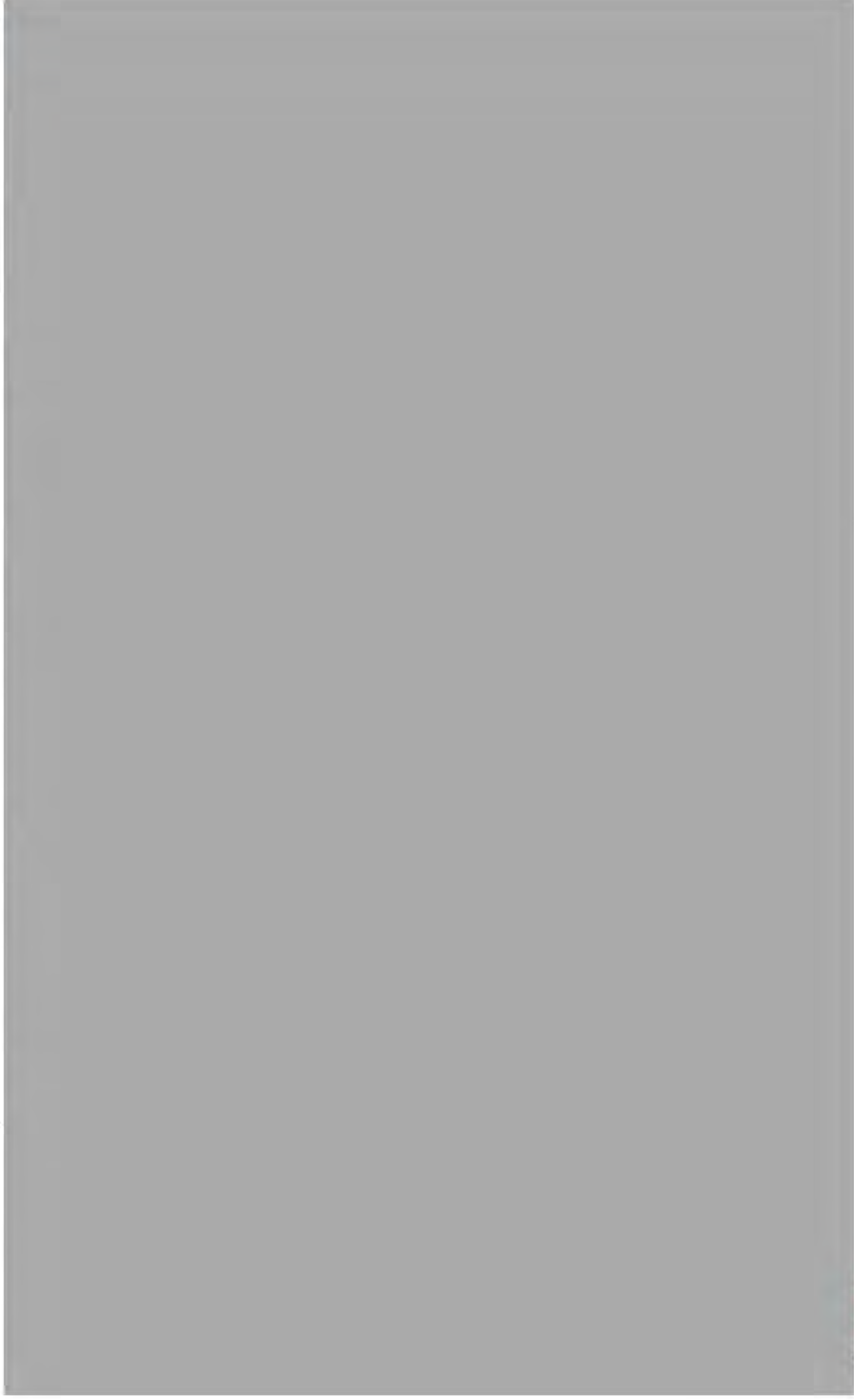
Project issues in a government context – other financial

4A



Project issues in a government context – other financial

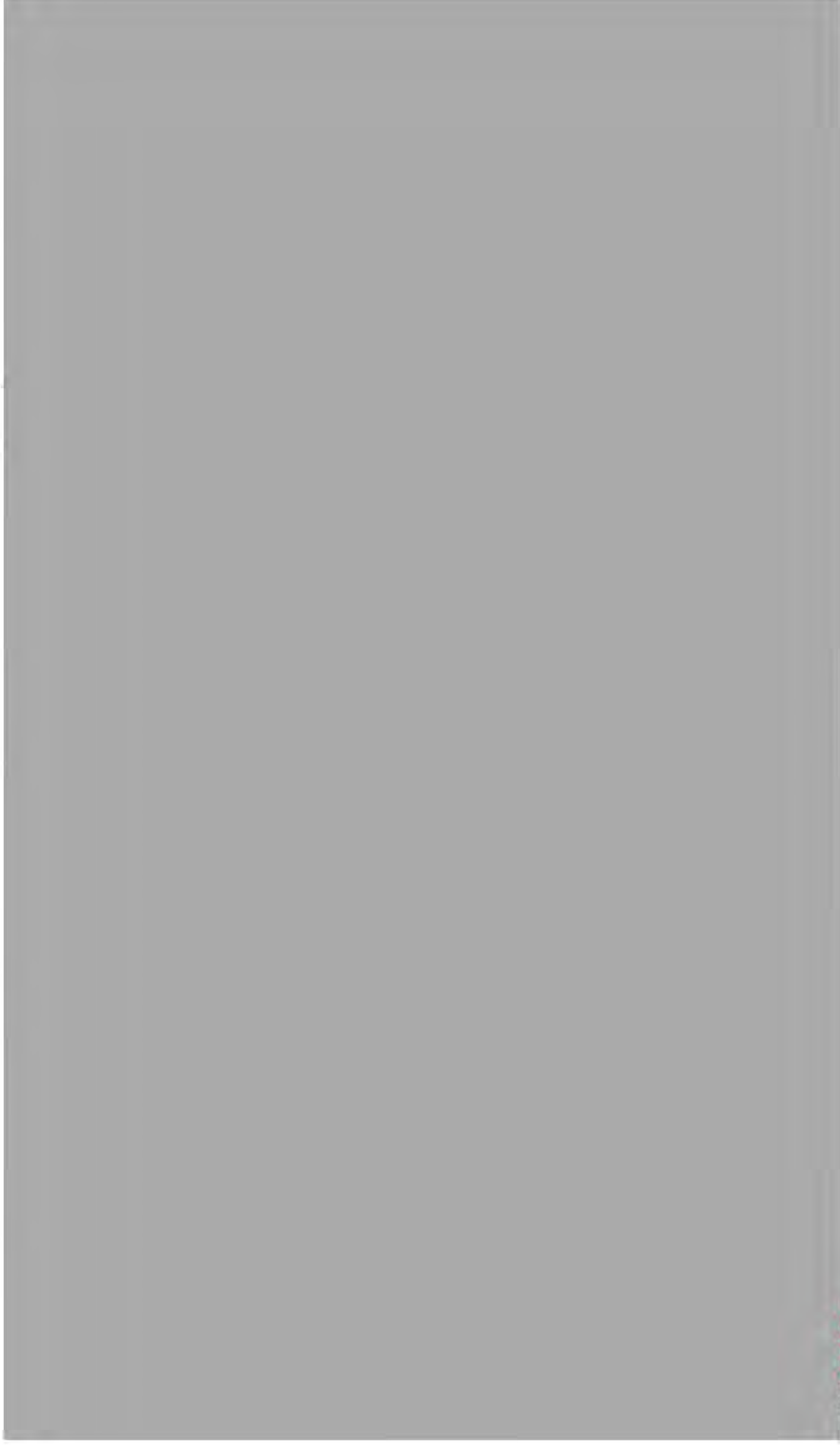
4A



Project issues in a government context – other financial

4A

TCorp currently provides c. \$18.6bn of debt financing to the NSW Electricity Networks. Consideration will need to be given to whether existing loans provided by TCorp are retained or refinanced by external debt as part of the transactions



Project issues in a government context – other financial

4A

5

What are NSW State credit rating considerations from the proposed lease?

- The State of NSW is currently rated as "AAA – Outlook Negative" by S&P and "Aaa – Outlook Stable" by Moody's
- A key financial consideration for the State will be how the rating agencies treat any Transaction. Of critical importance will be how both agencies treat the equity proceeds received under the Transaction, the TCorp debt retired and the State's retained interests in the assets
- We have outlined the key ratings metrics used by each of S&P and Moody's in evaluating the State's credit rating:

STANDARD & POOR'S

Moody's

Key credit metrics	<ul style="list-style-type: none"> • Average deficit after capex / Total revenue • Liquidity coverage ratio • Gross debt of non-financial public sector/ revenues • Interest expense/ revenues 	<ul style="list-style-type: none"> • Net debt & guaranteed debt / Total revenue • Net debt & guaranteed debt / GSP • Gross Operating Balance / Total revenue • Cash financing requirement / Total revenue
Treatment of NSW Electricity Networks businesses debt	<ul style="list-style-type: none"> • Included in net debt for the purposes of ratio calculations 	<ul style="list-style-type: none"> • Excluded from total debt given the NSW Electricity Network assets are considered to be self sufficient
Impact of NSW Electricity Networks Transaction	<ul style="list-style-type: none"> • S&P may look to proportionally consolidate asset level debt regardless of the level of State equity ownership 	<ul style="list-style-type: none"> • Treatment is unlikely to change given asset debt is currently excluded from the definition of State debt

Project issues in a government context – other financial

4A

The State must ensure that the NSW Electricity Networks transaction satisfies the various requirements to access the Commonwealth Government incentive payments offered under the National Partnership Agreement on Asset Recycling

6

Qualifying and accessing the Commonwealth Government incentive payments

\$5bn National Partnership Agreement on Asset Recycling

- The State and Commonwealth governments signed the National Partnership Agreement on Asset Recycling
 - commences 2 May 2014, and will expire on 30 June 2019
- The Commonwealth Government has created a \$5bn "Asset Recycling Pool", from which funds will be released on a 'first-come, first served basis'
- The State is entitled to 15% of the proceeds received by State from the sale of asset(s), multiplied by the proportion (expressed as a percentage) of proceeds to be **reinvested by the State in additional infrastructure**

Incentive payments process

50% of the total estimated payment

- Based on the book value of the asset as the estimate of sale proceeds, and an initial forecast of the proceeds to be reinvested in additional infrastructure
- Payable upon commencement of the tender process and planning / approvals for the additional infrastructure

Milestone 1

Final adjusting payment

- Residual payment to reflect actual sale proceeds
- Payable at completion of the sale of the asset and commencement of construction of the agreed infrastructure

Milestone 2

"\$2 billion from the federal government under the asset sales incentive program"

Jun 2014

Accessing Federal Government Incentive payments

To ensure the State can access the Commonwealth Government incentive payments, the State must ensure that each of the following threshold items are addressed:

- ✓ **Move quickly** – funds will be released on a 'first-come, first served basis', and expected to be limited to the current \$5 billion. Victoria has listed the Port of Melbourne on the Commonwealth Government Asset Sale website <https://www.nics.gov.au/AssetSales/AssetSale>
- ✓ **Confirm eligibility** – additional infrastructure projects must demonstrate a net positive benefit, enhance long-term productive capacity of the economy, and where possible provide for enhanced private sector involvement in both funding and financing of the infrastructure
- ✓ **Construction timing** – to be entitled to the incentive payments, construction of the additional infrastructure investment must commence on or before 30 June 2019
- ✓ **Sale structure** – the State should confirm that specific sale structure to be adopted for each of the NSW Electricity Network asset satisfies the eligibility criteria (e.g. minority sale, trade sale vs IPO)

The State will need to agree a schedule with the Commonwealth specific to the NSW Electricity Network assets and outlining which proceeds have been applied to fund additional infrastructure

Project issues in a government context – other financial

4A

7

Impact of the NSW Electricity Network businesses exiting the NTER regime and becoming a Federal tax payer

- The NSW Electricity Network businesses are currently subject to the National Tax Equivalent Regime ("NTER")
- The sale of any stake (irrespective of size) will trigger an exit from the NTER and result in the asset being subject to Federal income tax laws

Key issues

1. Any accrued losses under the NTER will be typically forfeited and will not pass to the new owners
2. Exit from the NTER will result in tax leakage from the State to the Federal government (timing and amount of tax paid will be forecast in the financial model)
3. Access to deductions (asset base, capital works, thin cap, etc.) will be a fundamental valuation focus (these items were not relevant under the NTER regime)

Project issues in a government context – other financial

4A

8 Considerations regarding unfunded pension liabilities at Network NSW companies

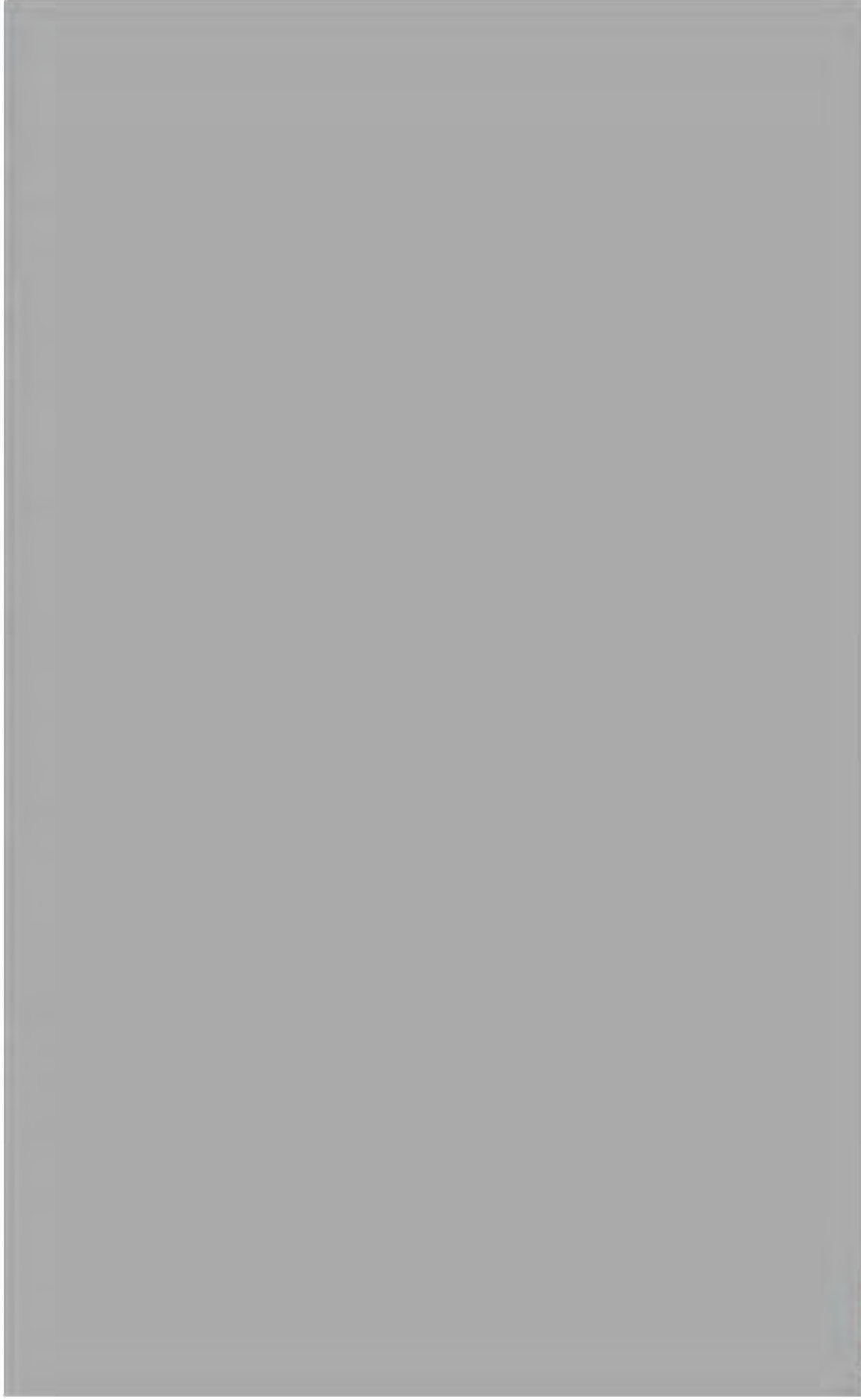
- As at 30 June 2013, NSW Electricity Networks had unfunded defined benefit obligations totalling \$539 million. This unfunded liability is comprised as follows:

Unfunded defined benefit liabilities as at Jun 13 (\$m)	
Ausgrid	266
Endeavour	3
TransGrid	270
Total	539

- As responsibility for the defined benefit obligations will pass under the Transaction, potential investors will seek to ensure these unfunded liabilities are made whole or fully funded at the time of entering into the Transaction.
 - this approach has been adopted previously by the NSW Government on other recent monetisation processes including the leasing of Port Botany and Port Kembla, Macquarie Generation, etc
- Requirement to prepare actuarial valuations with validation of assumptions underpinning State estimates of required make whole payments

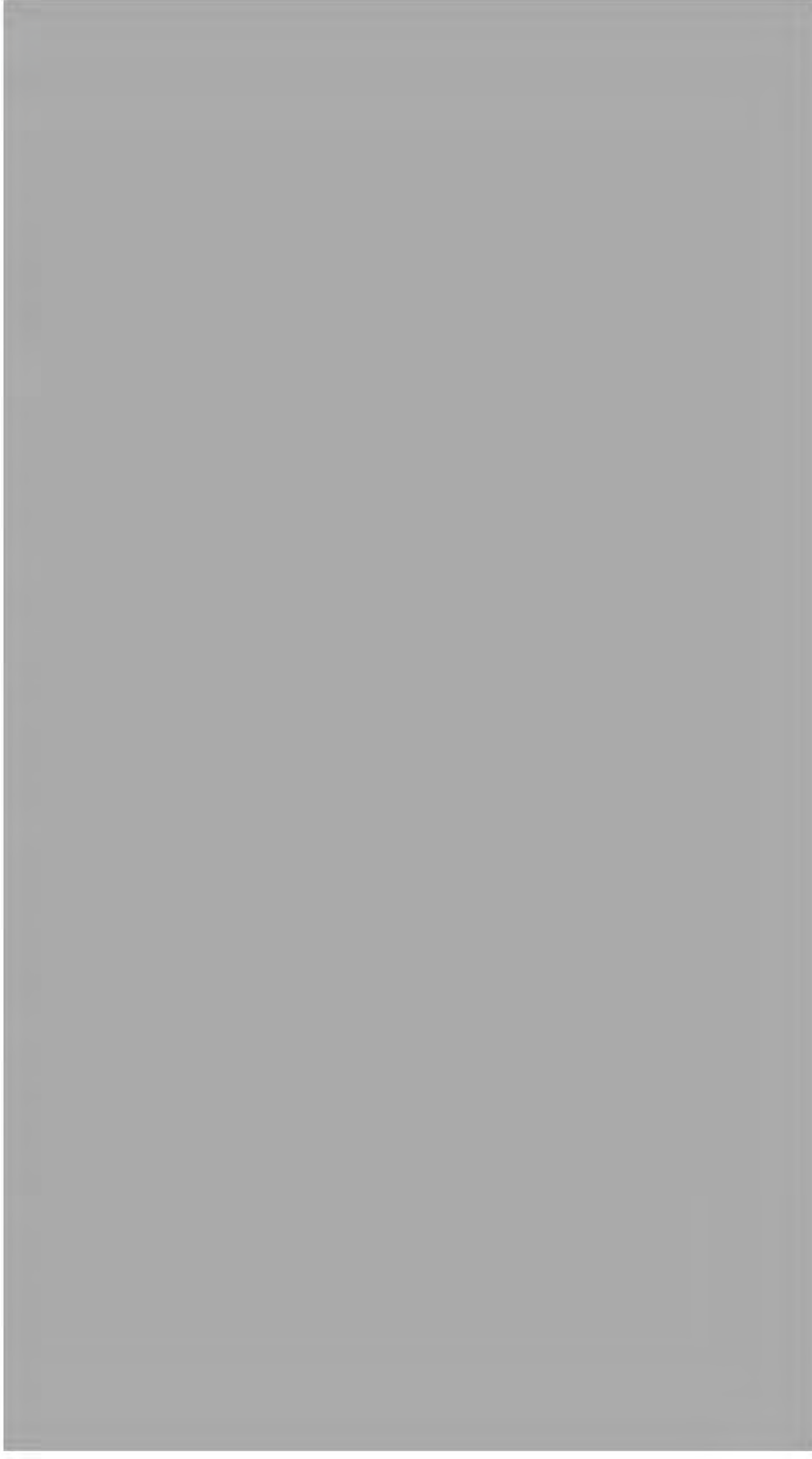
Project issues in a government context – other commercial and policy

4B



Project issues in a government context – other commercial and policy

4B



Project issues in a government context – other commercial and policy

4B

3

Delivering the 1% discount off regulated network tariffs to retail customers

A

Ensuring a full pass through of the discount to customers will need to be carefully managed

NSW to deregulate electricity tariffs from 1 July 2014

- Over 1 million customers will be moved off their regulated tariffs from 1 July 2014
 - this will complicate ensuring the 1% discount off regulated network costs are passed through to customers
- There is marked volatility in unregulated retail electricity bills from year to year reflecting
 - fluctuating wholesale cost
 - retailer discounting
- Therefore ensuring the impact of the 1% price discount in customer bills is well identified against the backdrop of changing overall bill costs will be key
 - Sydney Desalination Plant water rebate on customer bills is a good precedent

B

What lessons are there from the carbon tax introduction and repeal?

The Government has amended the Competition and Consumer Act 2010 (Cth) to revive Part V to include new provisions which will prohibit corporations

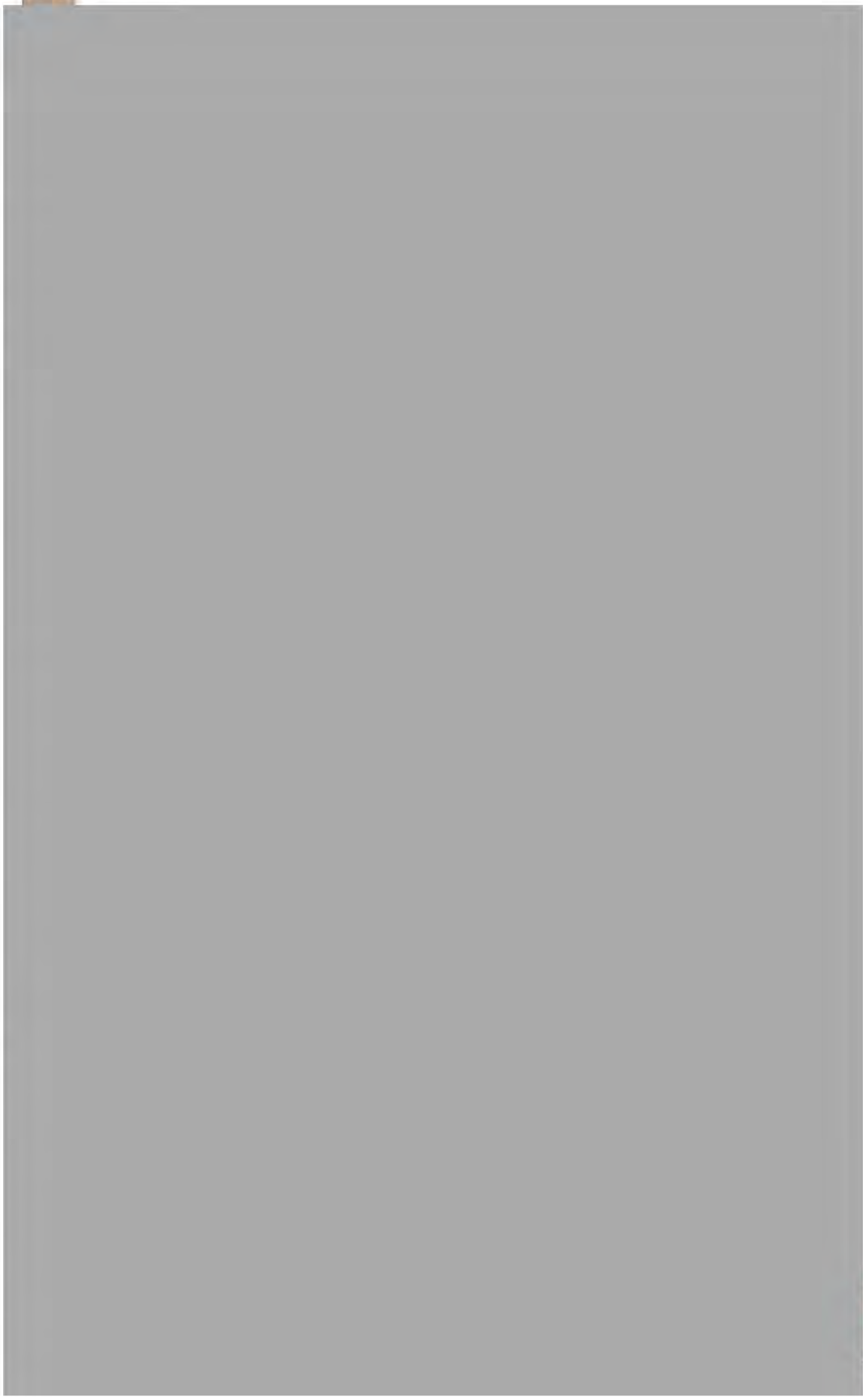
- Engaging in price exploitation in relation to the repeal of the carbon tax
- Making false representations concerning the effect of the carbon tax scheme or its repeal on prices

CCA 2010 amendments

- Robust mechanisms have been put into place so that cost savings from the expected carbon tax repeal are passed onto customers
 - further supported by public awareness and campaigns from numerous stakeholders

Project issues in a government context – other commercial and policy

4B

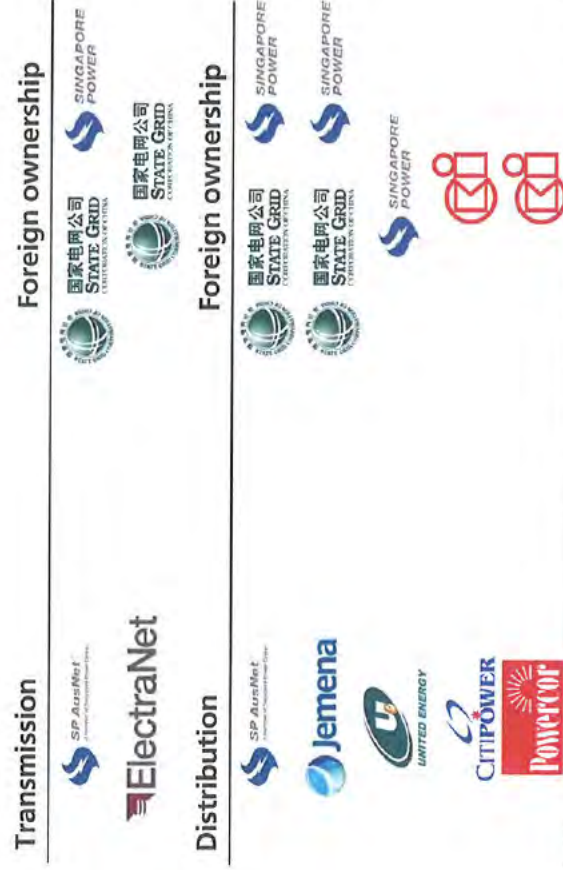


Project issues in a government context – other commercial and policy

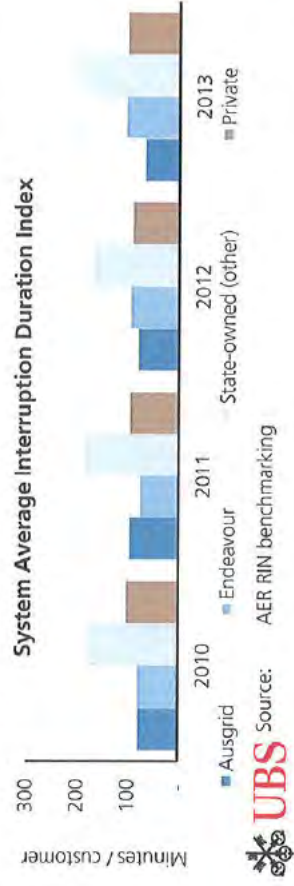
4B

5 Ensuring maintenance of network reliability under new owners

Foreign ownership of electricity networks is already widespread in Australia



Privately owned assets compare well to other State owned assets on reliability standards



Project issues in a government context – other commercial and policy

4B

6 Structuring a potential IPO

A

Impact of retained State shareholdings

B

Participation by NSW residents



Project issues in a government context – other commercial and policy

4B

7 Other considerations

A

Maintaining control of process timetable

“

Leasing the assets will deliver \$13 billion, while a further \$2 billion will come from the Commonwealth...investment of the proceeds into the government's infrastructure fund, Restart NSW, would reap a further \$5 billion over 10 years

Rebuilding NSW”

- The potential privatisation of the NSW Electricity Networks has been a long-expected transaction for infrastructure investors around the globe

•

- An appropriately structured and well communicated process timetable will also ensure funding of the NSW \$20 billion infrastructure fund is achieved within the required timeframes to support the central and regional infrastructure projects

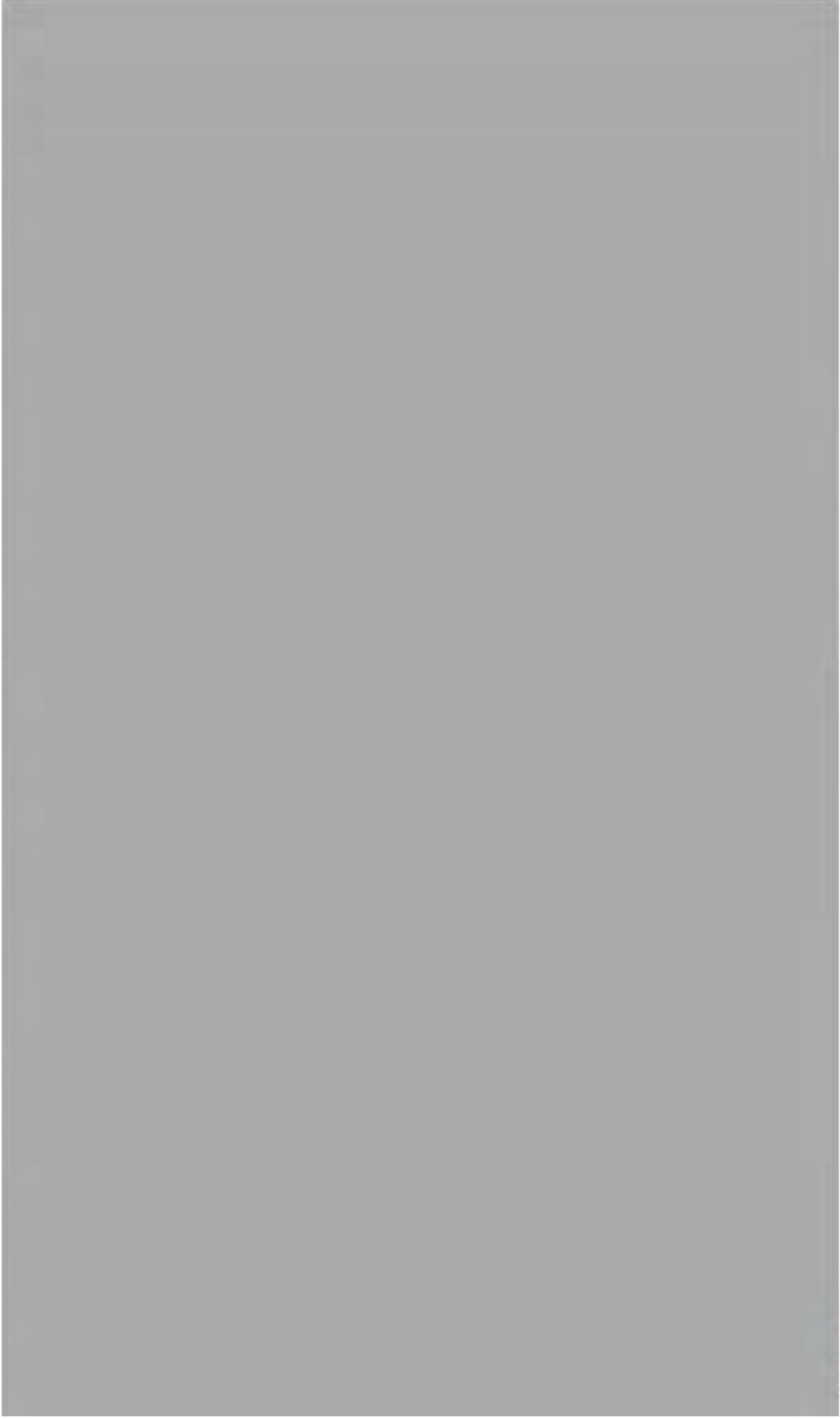
B

Need to deliver a transparent process satisfying accountability and probity requirements

”

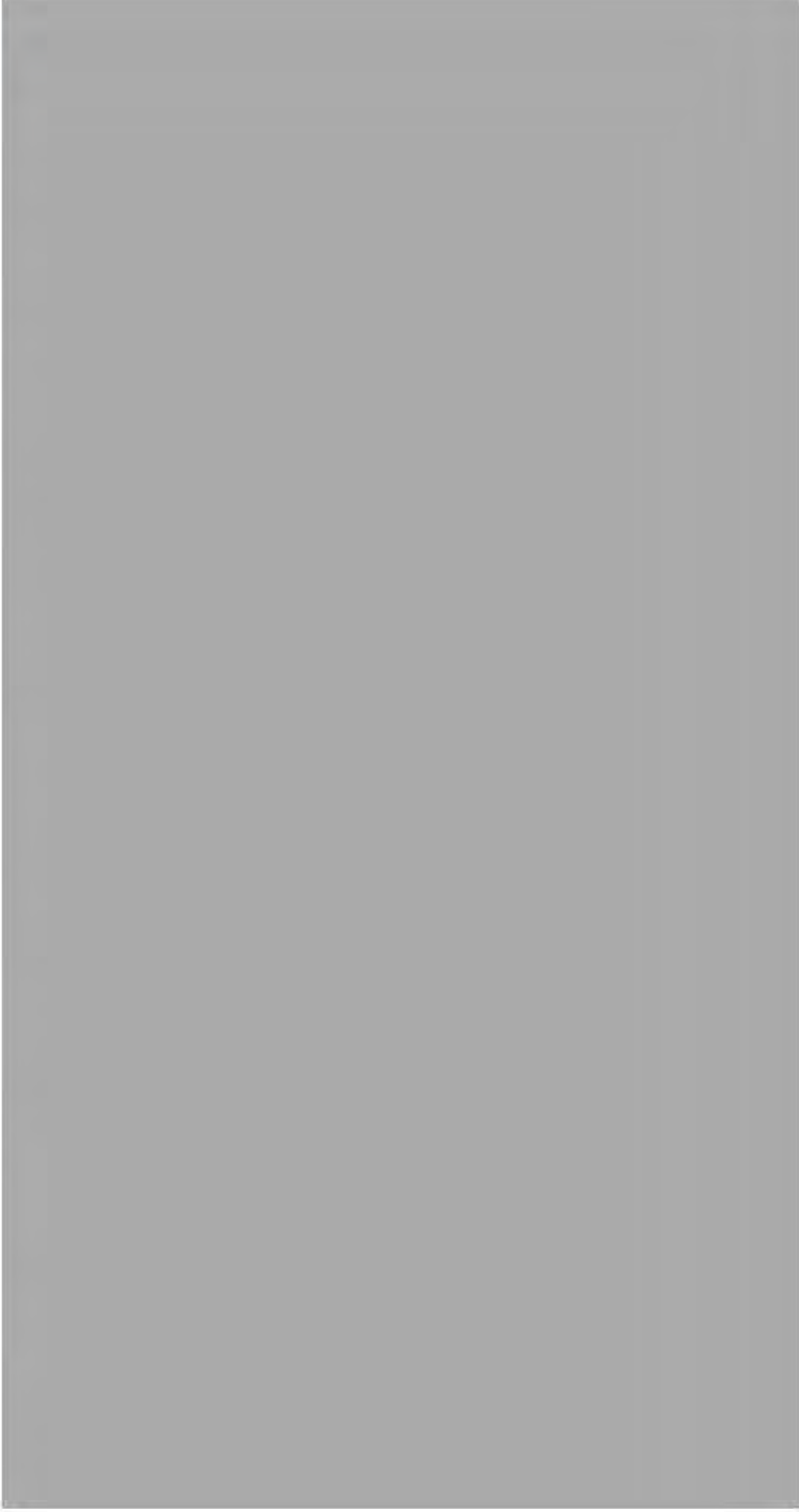
Project issues in a government context – other regulatory and legal

4C



Project issues in a government context – other regulatory and legal

4C



Project issues in a government context – other regulatory and legal

4C

3

Enabling legislation will be required to allow the transaction to proceed

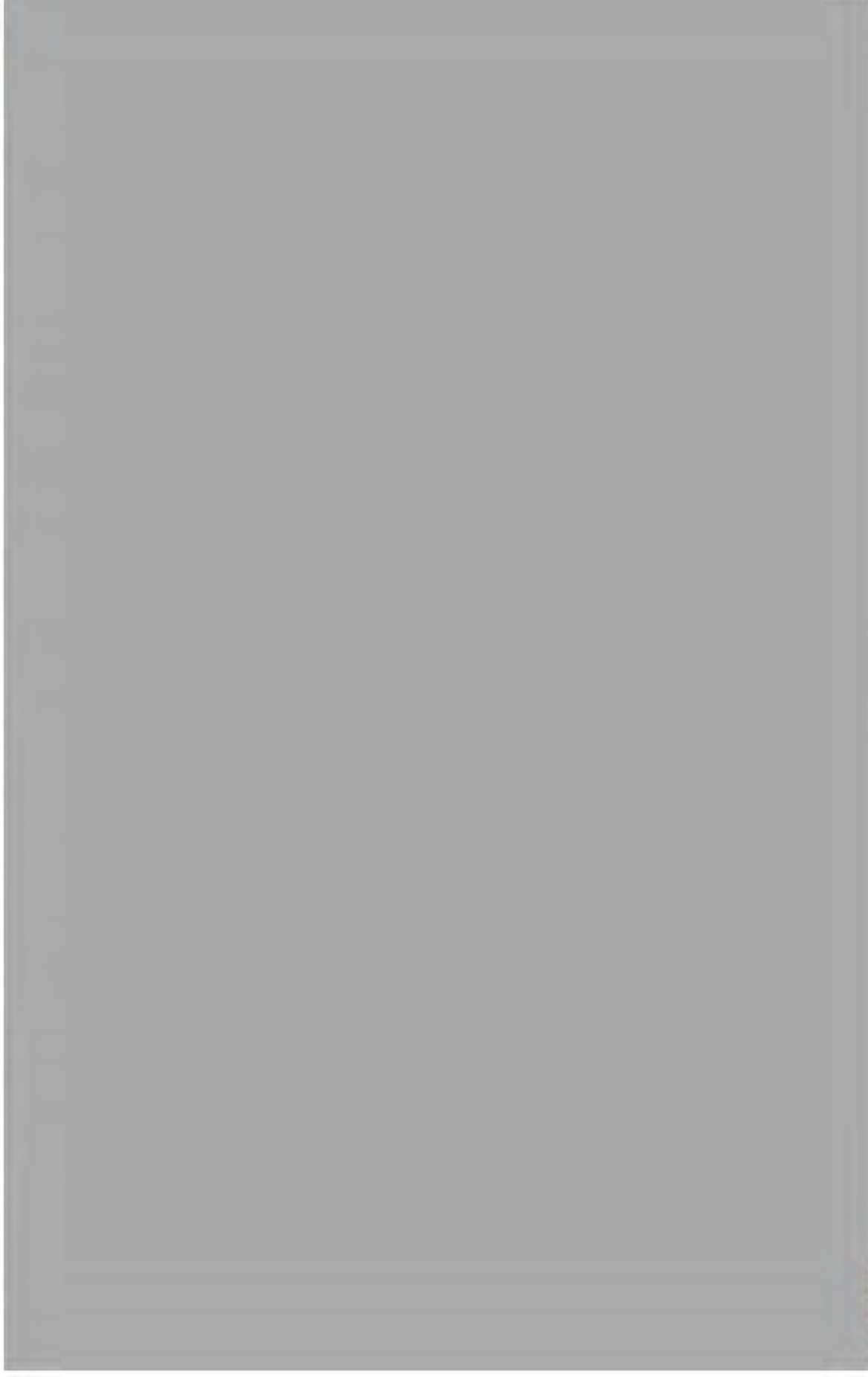
Legislation requiring amendment

Restriction on Transaction

A	<i>Energy Services Corporation Act 1995</i>	<ul style="list-style-type: none">Government bodies are not able to effect share transfers
B	<i>State Owned Corporations Act 1989</i>	<ul style="list-style-type: none">Ministerial consent a condition of sale
C	<i>Public Authorities (Financial Arrangements) Act 1987</i>	<ul style="list-style-type: none">Requires State-owned bodies to seek ministerial consent to increase or adjust indebtednessRestriction remains so long as the State retains any interest, including a passive, minority position

Project issues in a government context – other regulatory and legal

4C



Project issues in a government context – other regulatory and legal

4C

5



Project issues in a government context – other regulatory and legal

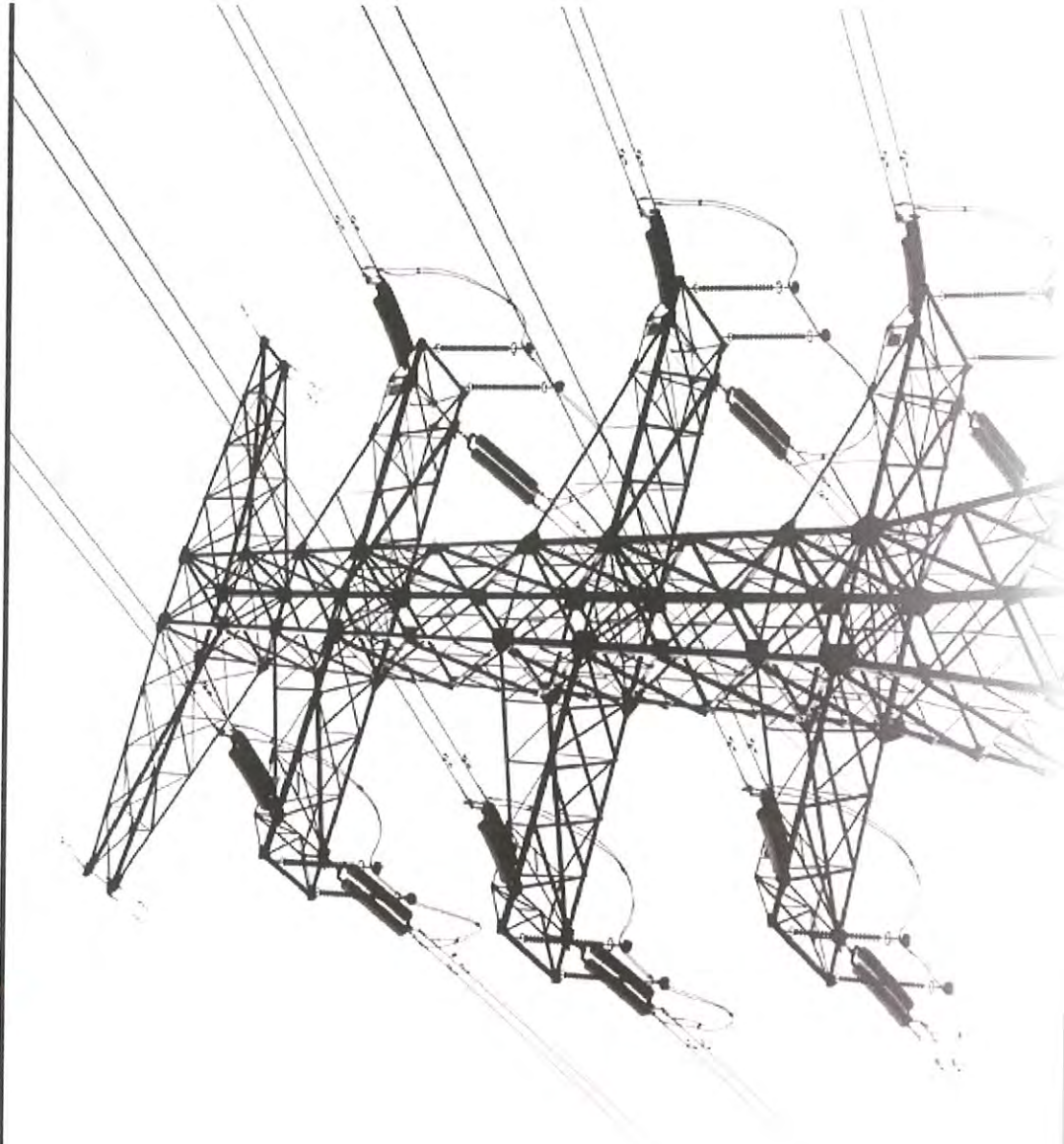
4C

6



Evaluation Criterion 5

Understanding of government sell-side processes



Evaluation Criterion 5

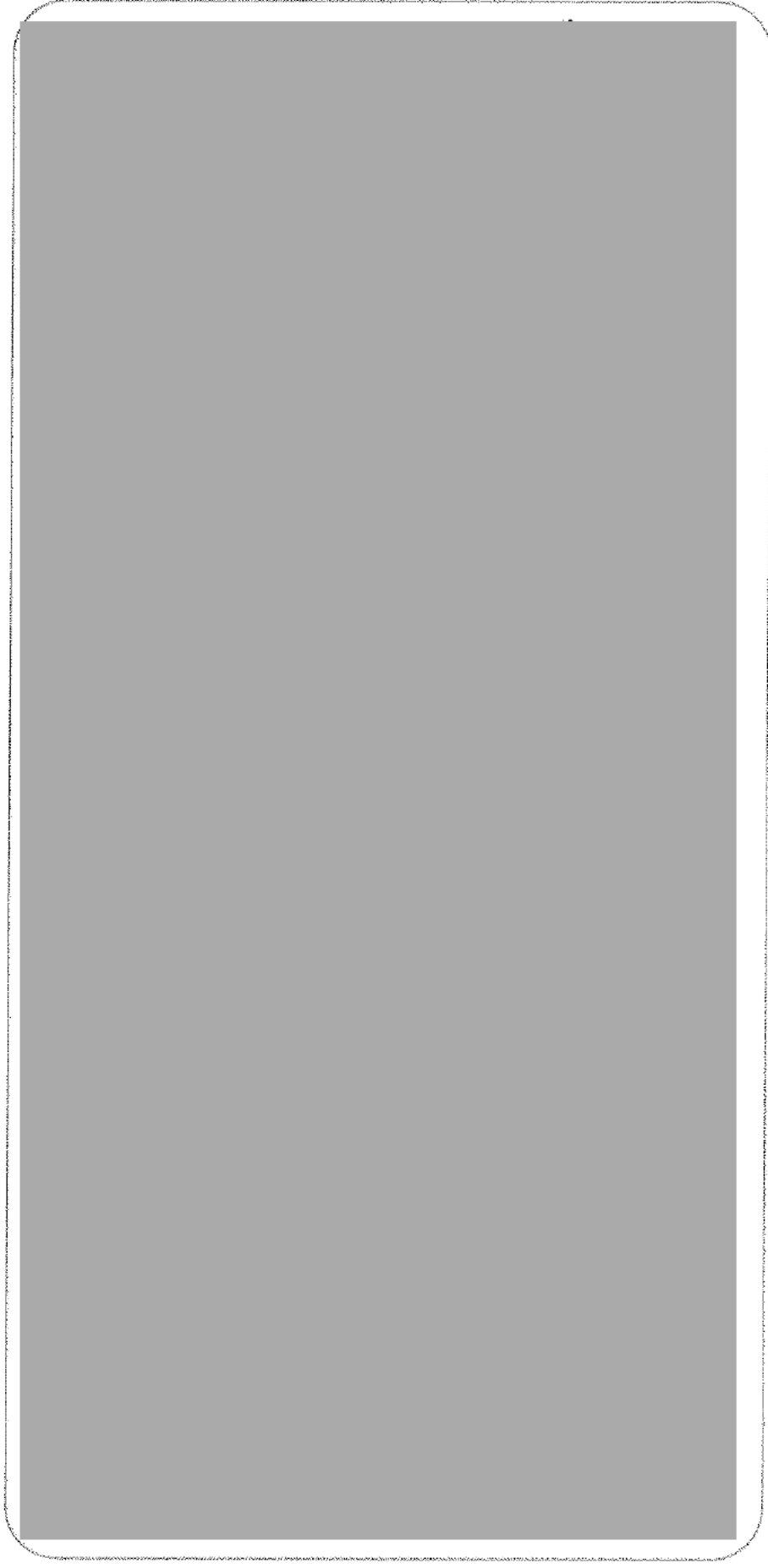
Understanding of Government sell side processes and proposed approach

Evaluation criterion 5

- Demonstrated understanding of Government sell-side processes and the proposed approach to key aspects such as project management, engaging with the network businesses and key stakeholders, identifying key issues for the scoping study, undertaking vendor due diligence, and executing the transaction

Understanding of Govt. sell side processes and proposed approach

5



Demonstrated understanding of Government sell side processes

5

UBS and its team members have extensive experience working with Australian governments on large scale sell side transactions, including previous assignments with NSW Treasury

- UBS has extensive experience in working with Government on sell side processes and understands the unique aspects of Government processes, including
 - structuring transactions to meet both policy objectives and maximise financial outcomes for the State
 - the need to address the concerns of multiple stakeholders
 - legislative processes and potential timetable implications
 - importance of compliance and adherence to probity requirements
- The UBS team for NSW Electricity Networks Transaction has significant experience in working with Government, including Queensland Motorways, WSN Environmental Solutions, NSW Number Plates, QR National and Telstra 3. These projects have included undertaking in-depth scoping studies and project managing advisers and stakeholders through complex and often politically sensitive issues

Aus. Government involvement advisory¹

Financial adviser	Rank value (A\$bn)
1 UBS	73.4
2 Morgan Stanley	66.6
3 Macquarie Group	62.0
4 Goldman Sachs	53.7
5 Lazard	48.6

Aus. privatisation equity issuance¹

Financial adviser	Rank value (A\$bn)
1 UBS	7.4
2 Goldman Sachs	6.0
3 RBS	6.0
4 BAML	0.9
5 Credit Suisse	0.9

Unparalleled experience in project managing large scale privatisations across Australia and New Zealand...

...as well as project managing some of the largest privatisations globally

 May 2014 Financial adviser to DB Fund / QIC on the \$7.1bn sale of Queensland Motorways	 Apr 2014 Joint Lead Manager to the NZ Government on the NZ\$620m IPO of Genesis Energy	 2013, 2012 Sole financial adviser on the \$1.5bn equity sell-down in QRN. Sole placement agent on the \$806m and \$360m equity sell-downs in 2013	 2012 Sole financial adviser to the South Australian Government on the \$670m sale of the forest forward rotations	 2014, 2013 Joint Bookrunner on the £4.2bn and £ 3.2bn secondary sell-downs by the UK Government	 2014 Joint Bookrunner on the €1.3bn sell-down by the Spanish Government
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 2010 Joint Lead Manager to the Queensland Government on the \$4.1bn IPO of QR National	future fund 2009 Sole Lead Manager and Underwrite on the Future Fund's \$2.4bn sale of Telstra	 2006 Project Management Joint Global Co-ordinator to the Commonwealth Government for the \$15.5bn sale of Telstra 3	 2005 Sole Business Adviser to the Commonwealth Government on the Scoping Study for the further sale of Telstra shares	 2013 Joint Global Co-ordinator, Joint Bookrunner and Financial Adviser to the UK Government on the £3.2bn IPO of Royal Mail	 2013 Joint Global Co-ordinator on the US\$2.8bn IPO of Cinda Asset Management Corporation for the Government of the PRC
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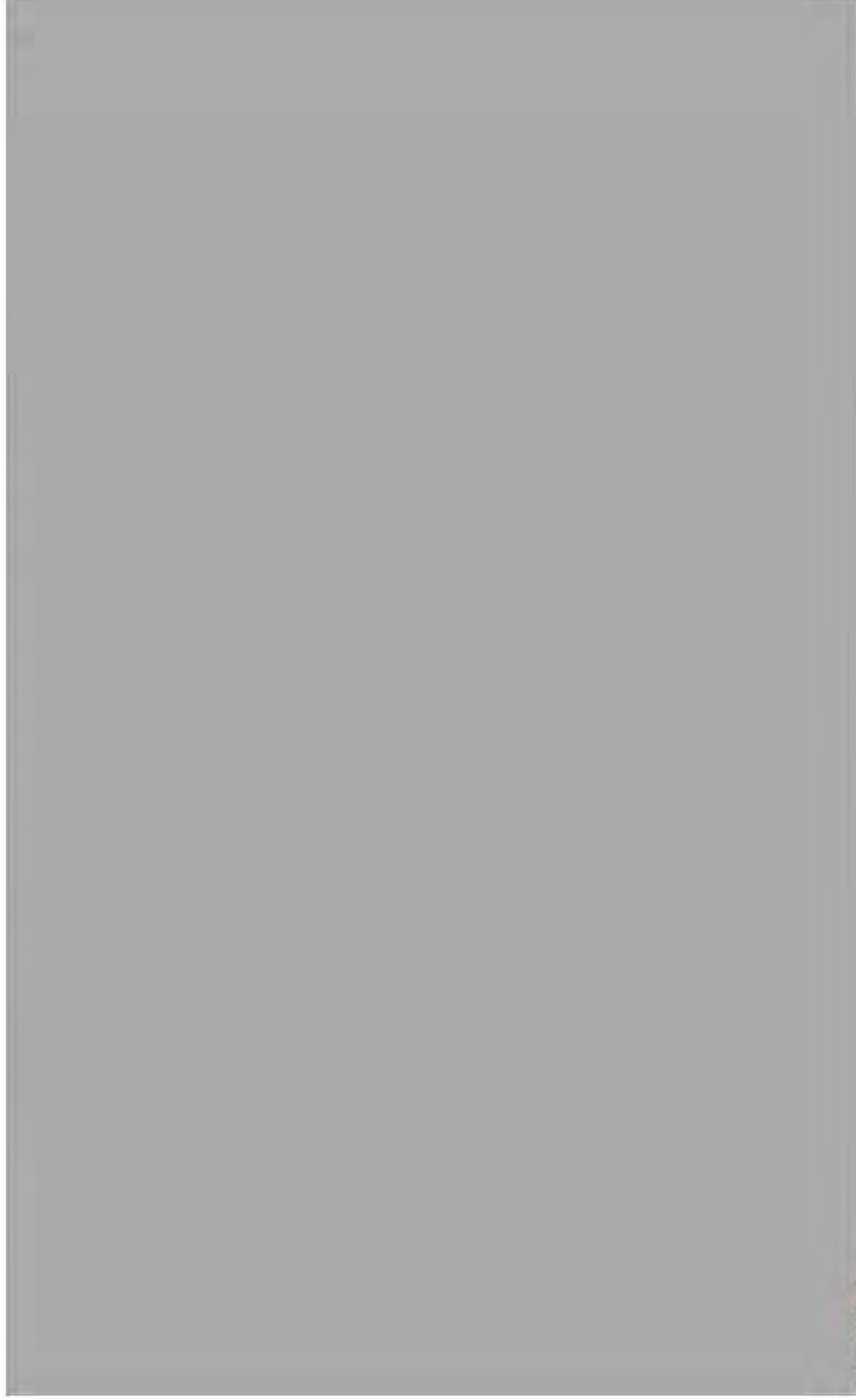
Source: Thomson Financial

Notes:
1. Since 2000, full credit to each adviser, announced, Government owned involvement

Original

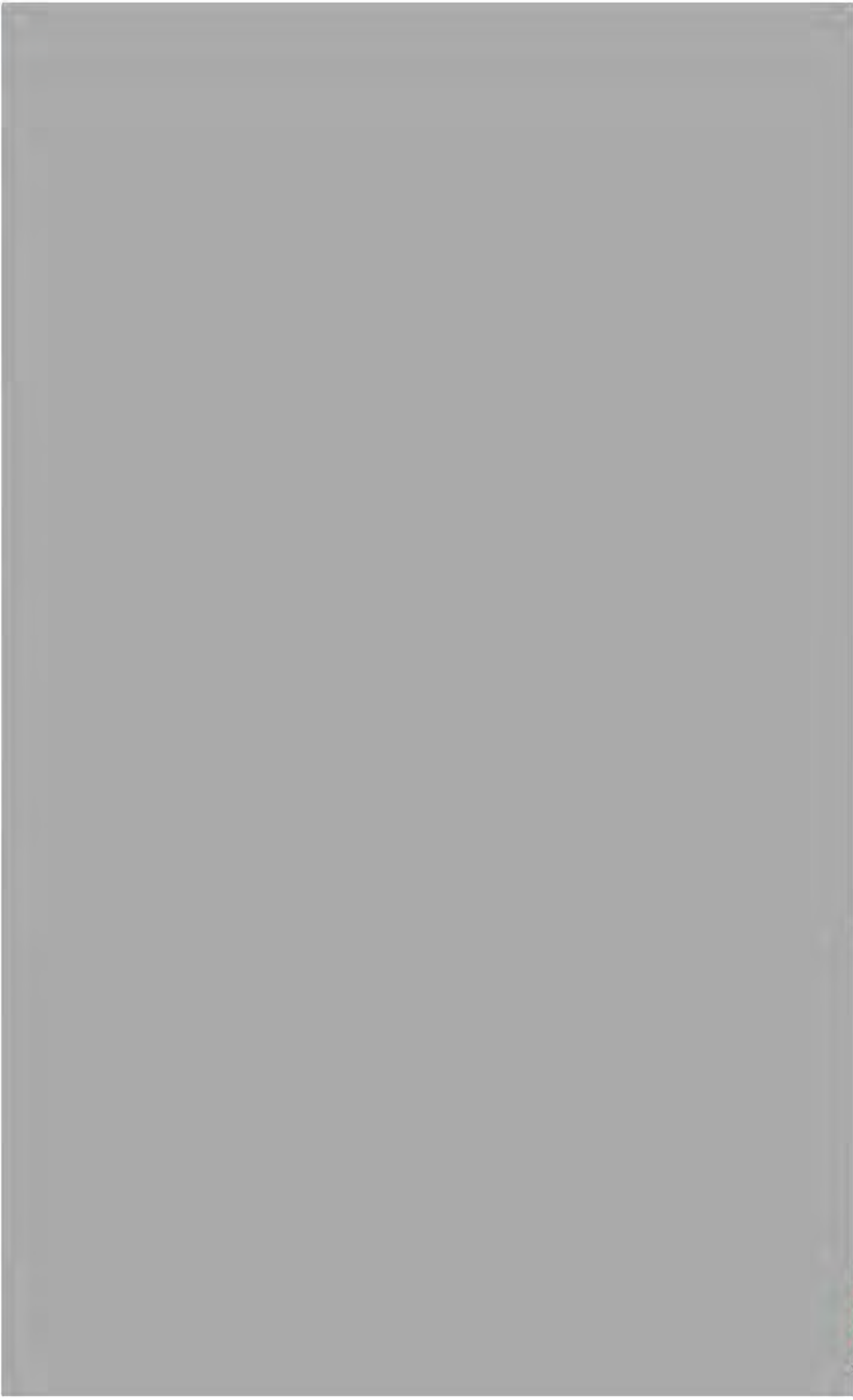
Project management – framework and approach

5A



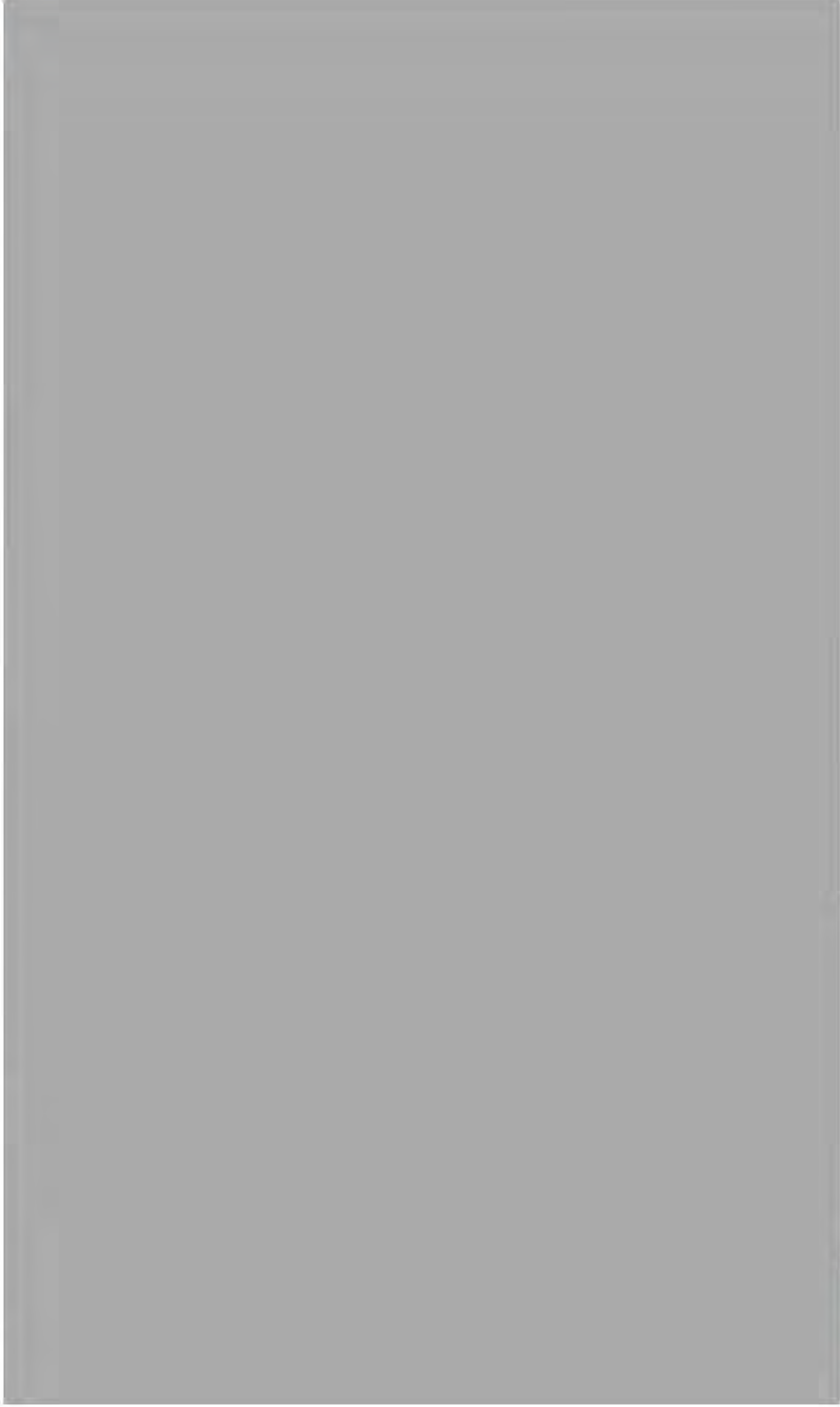
Project management – coordination framework (Phase One: scoping study)

5A



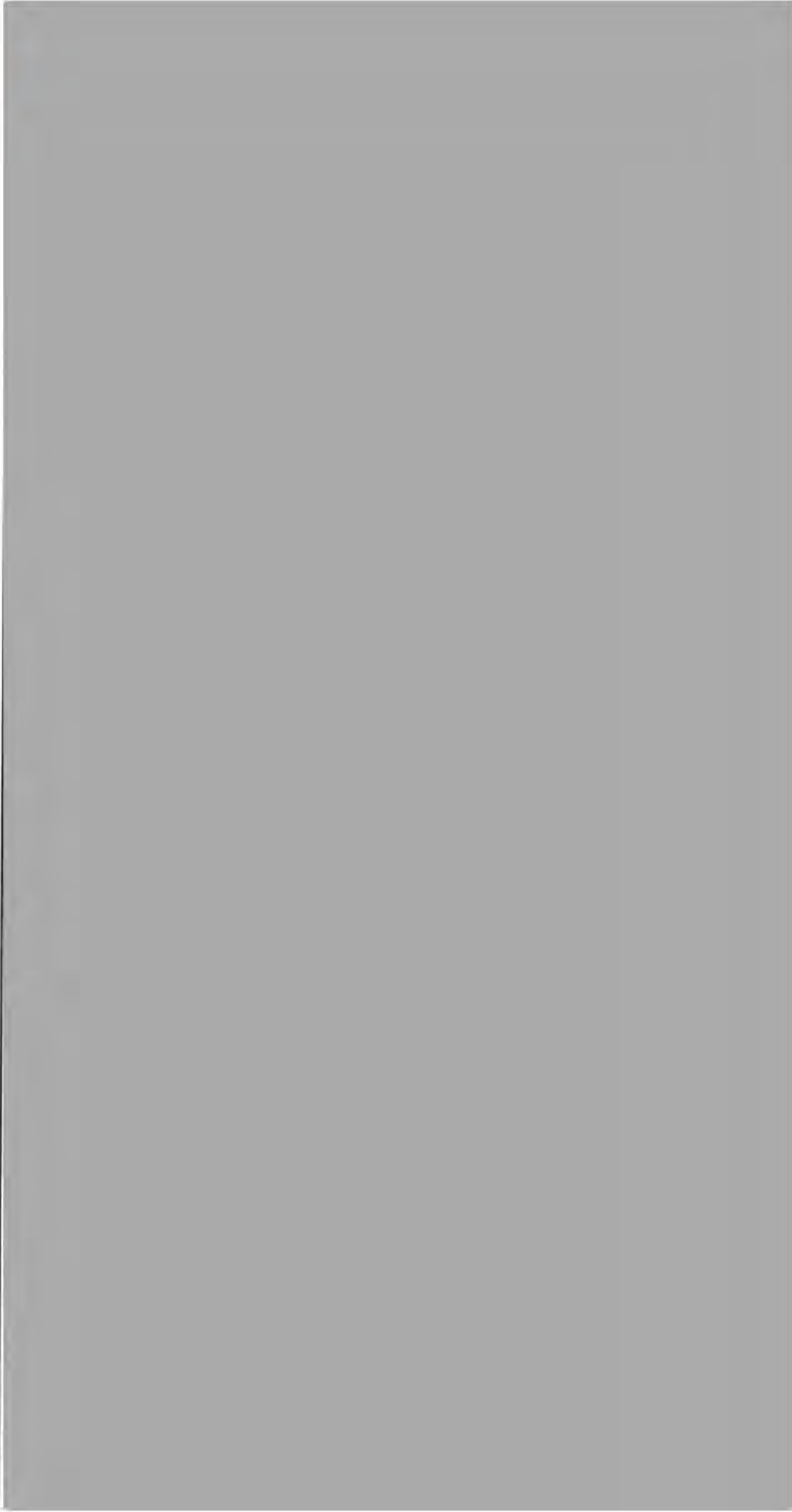
Project management – coordination framework (Phase Two: implementation)

5A



Indicative timetable – scoping study

5A



Indicative timetable – auction process



Indicative timetable – IPO

5A



Kick-off meeting and weekly steering committee meetings

5A





UBS' proven track record of managing complex government sell-side projects

5A

UBS has advised governments on some of Australia's most complex sell-side transactions



Telstra 3 — Australia's largest ever Government share sale process (March 2005 / November 2006)

UBS roles: *Business Adviser to the Commonwealth Government for the Scoping Study*
 Joint Global Co-ordinator to share sale



QR National IPO — The largest Australian IPO since Telstra in 1997 (November 2010)

UBS roles: *Joint Lead Manager*



Stakeholder Management Plan



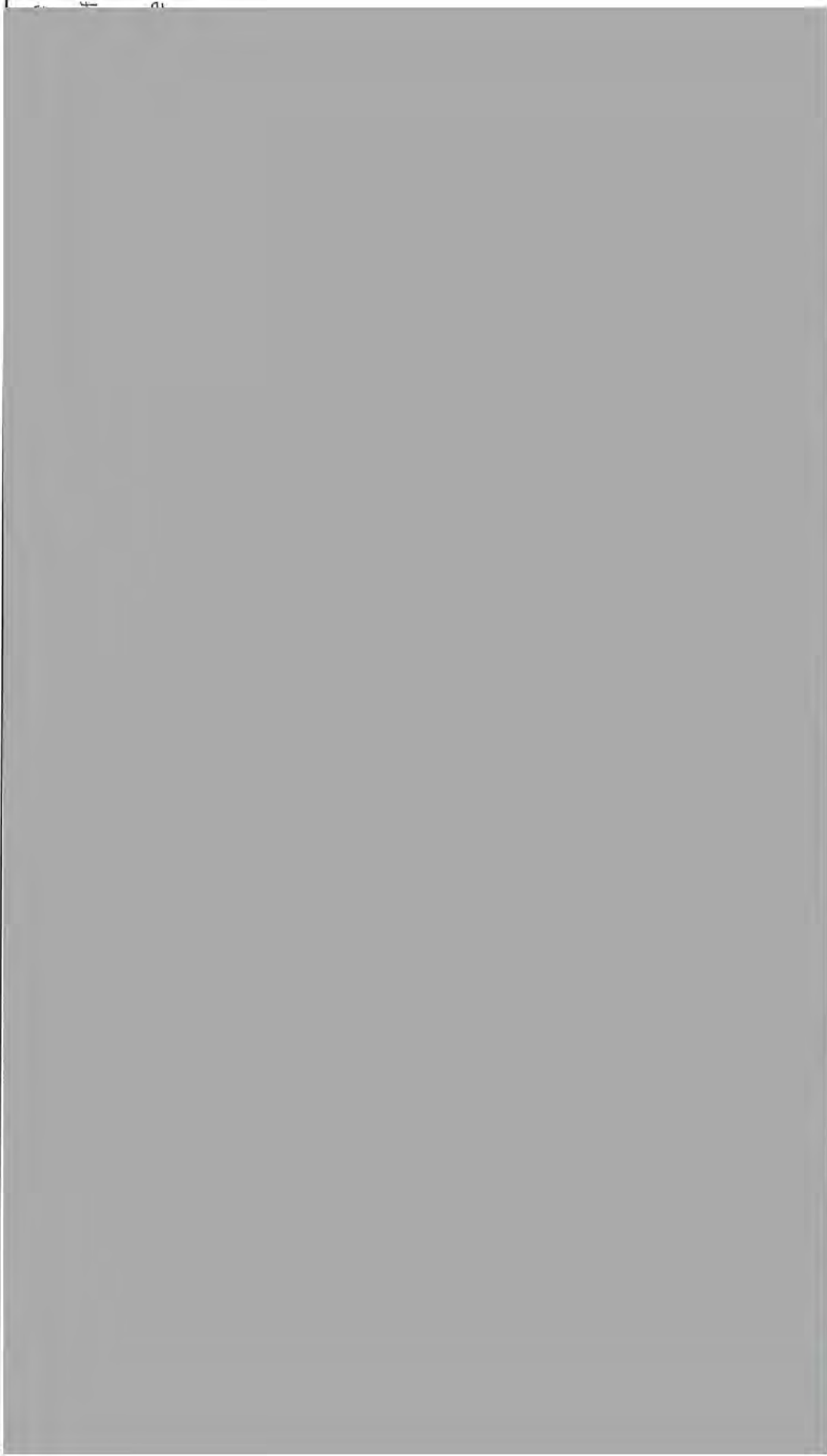
UBS' approach will be to ensure that regular dialogue is maintained with key stakeholders so the State is aware of relevant concerns and interests



Identifying key issues for the scoping study

5C

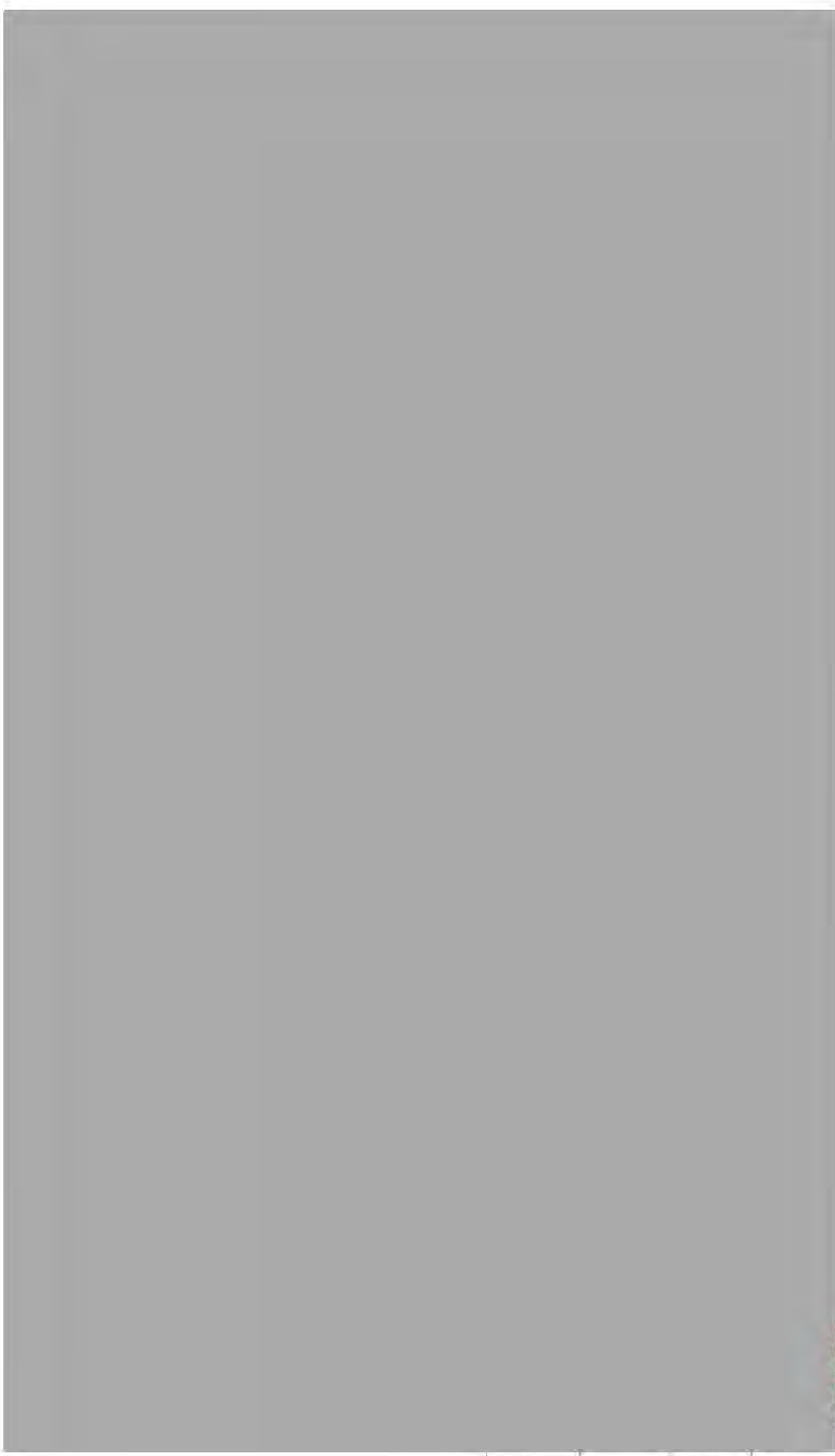
The conclusions drawn in the scoping study would be refreshed for any changes in circumstances or as individual asset transactions are completed



Identifying key issues for the scoping study

50

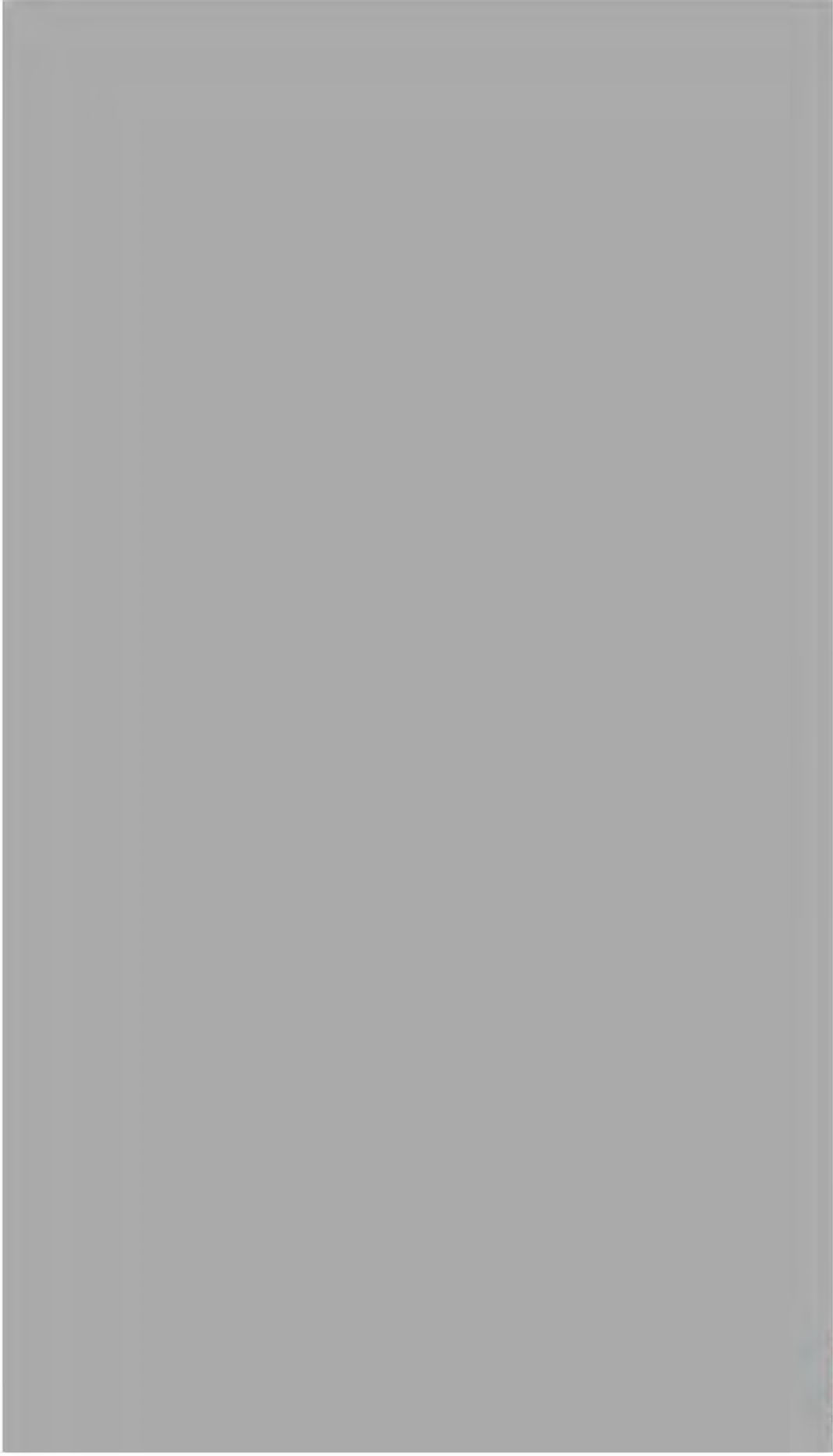
UBS will adopt a transparent and iterative approach with the State to ensure the scoping study addresses all key concerns and aligns with the State's interests



Identifying key issues for the scoping study

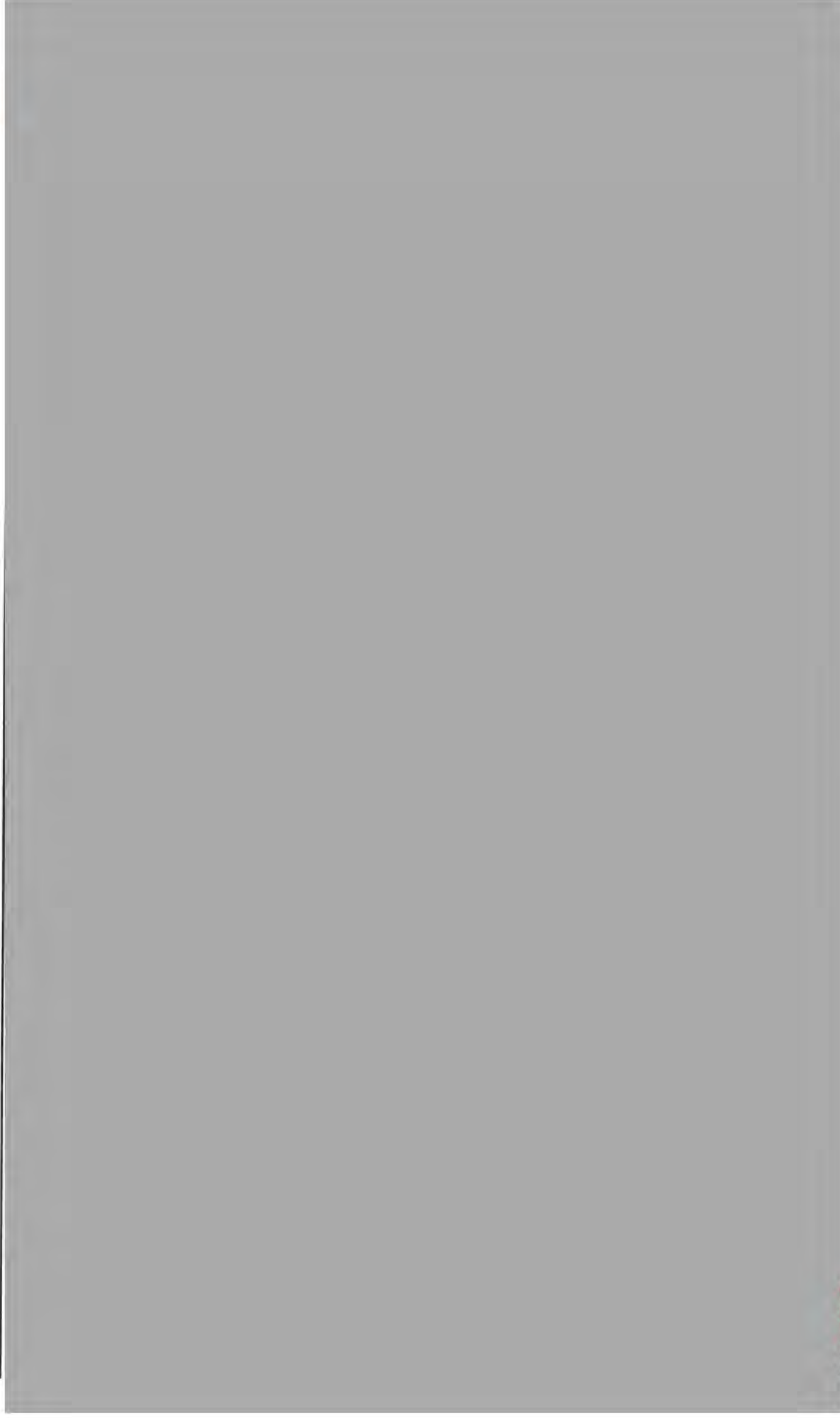
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To ensure all the key issues have been addressed and the State's objectives covered off, UBS would expect a detailed scope of works to map out this phase



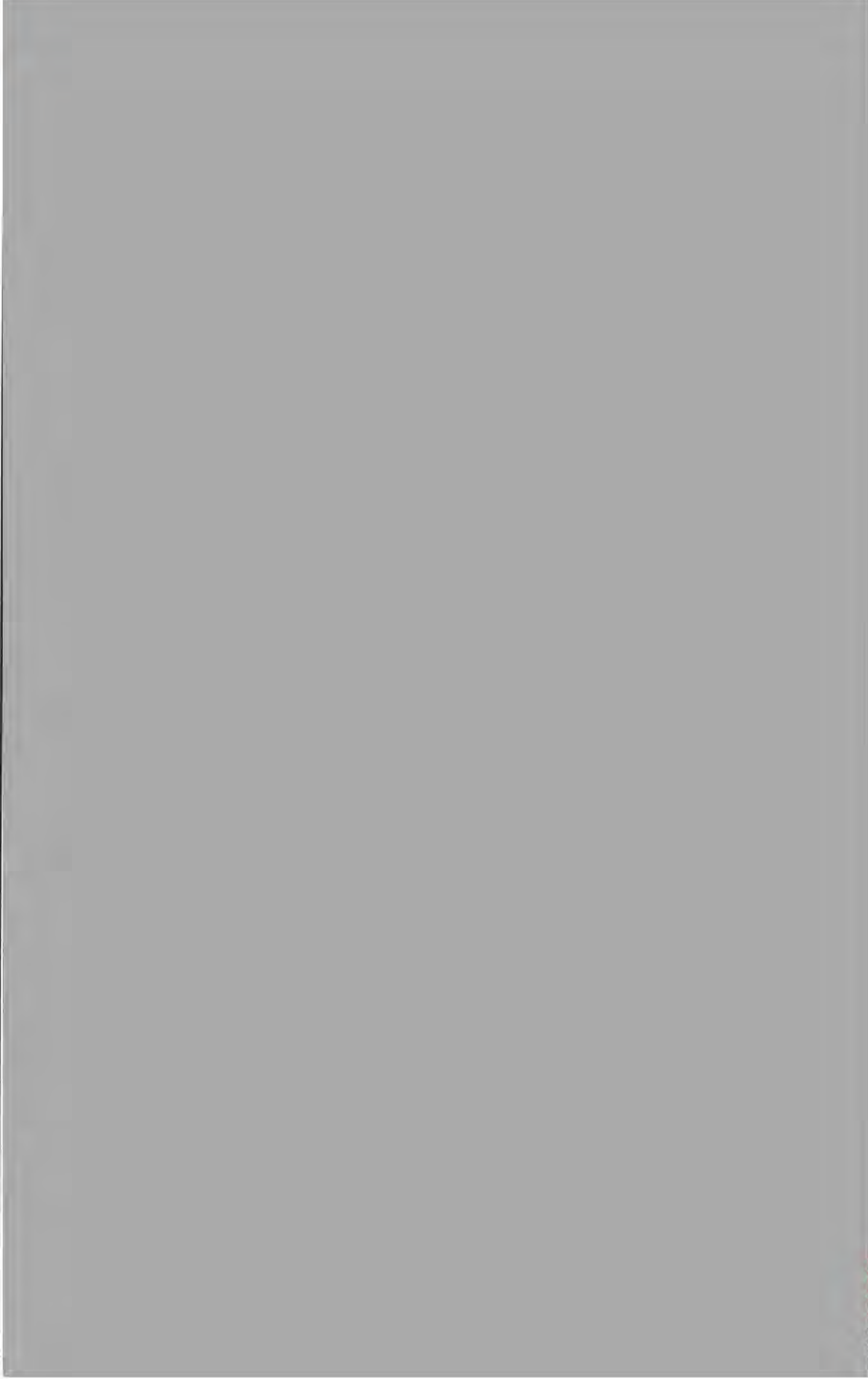
Testing scoping study findings with investors

50



Undertaking vendor due diligence process

5D



Executing the transaction post scoping study

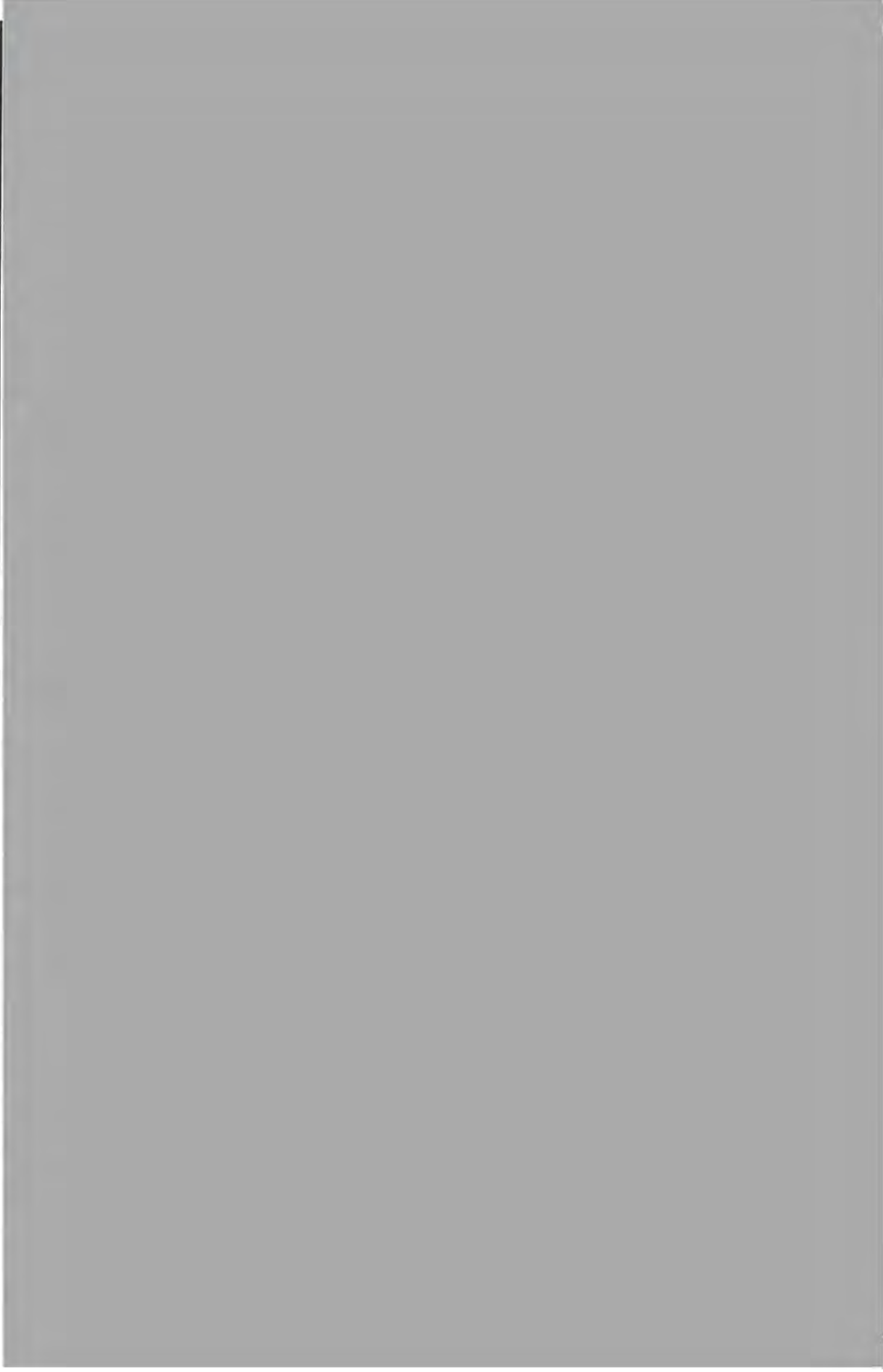
5E

Tailored process designed to optimise buyer interaction and maximise value creation, with clear milestones / decision points



Executing the transaction post scoping study – business preparation

5E

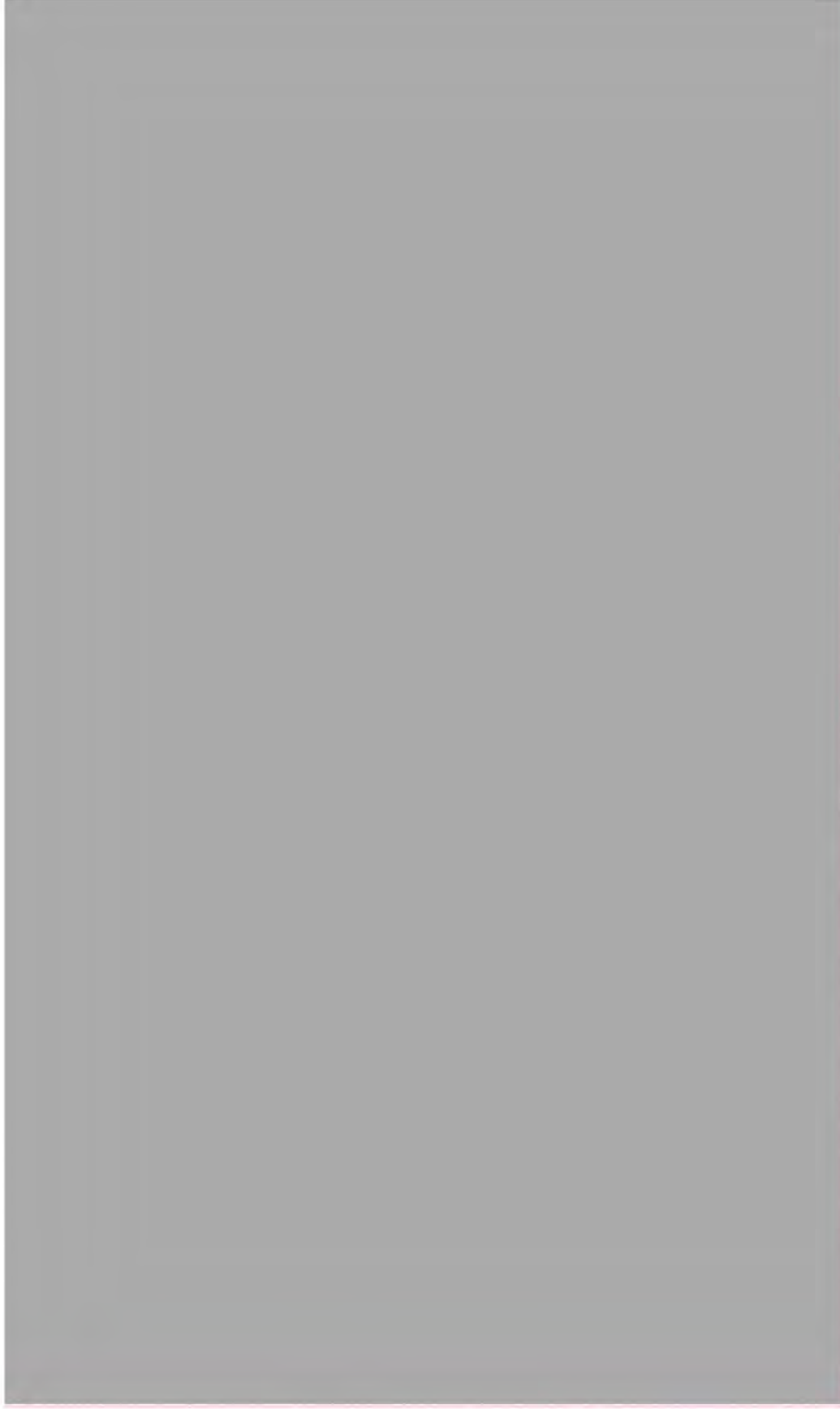


Executing the transaction post scoping study

5E

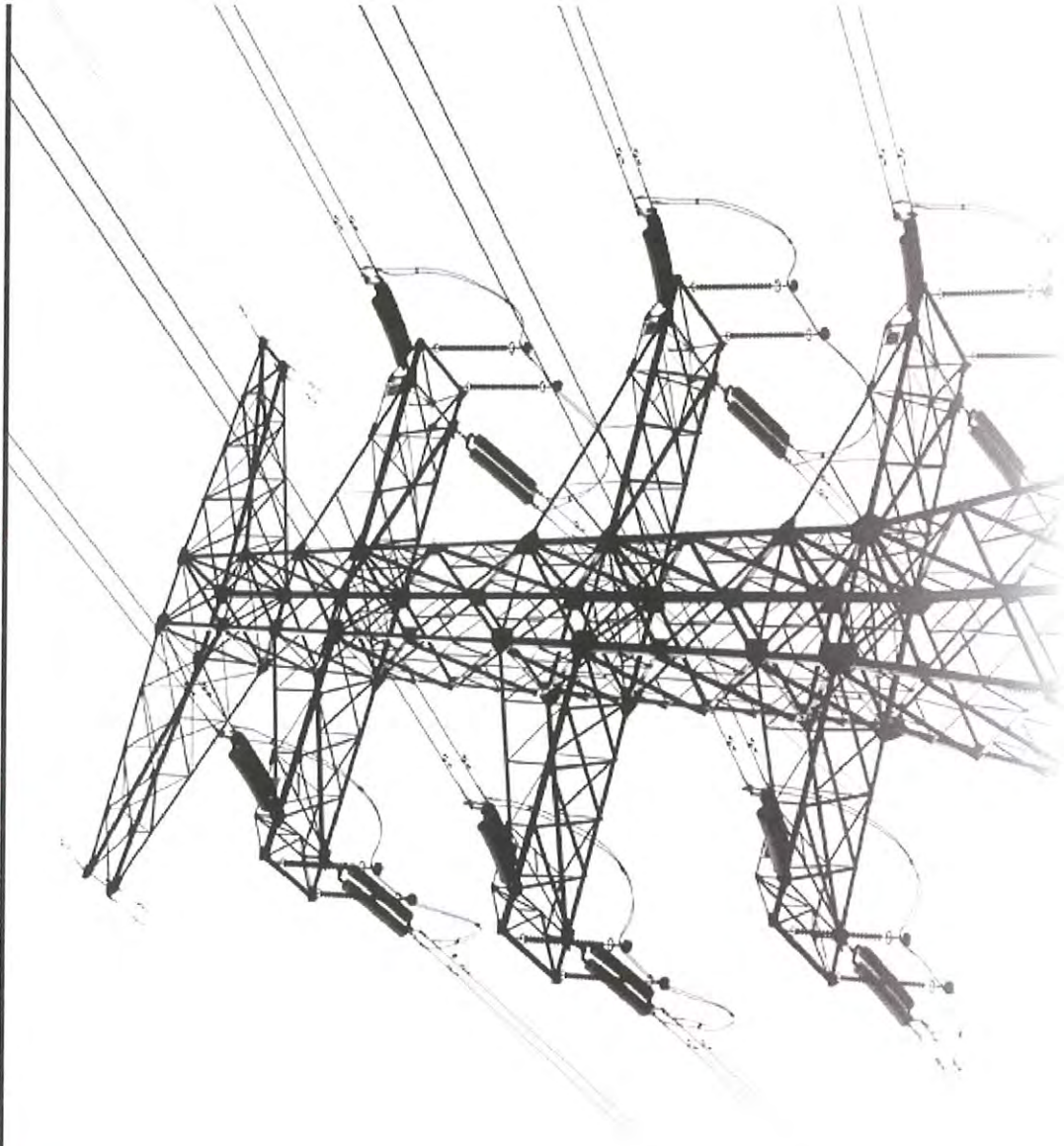
Based on our review of the RFP and experience with previous transactions, we have come up with the indicative scope of works below

Indicative scope of works¹



Evaluation Criterion 6

Knowledge and understanding of the electricity industry



Evaluation Criterion 6

Knowledge and understanding of the electricity industry

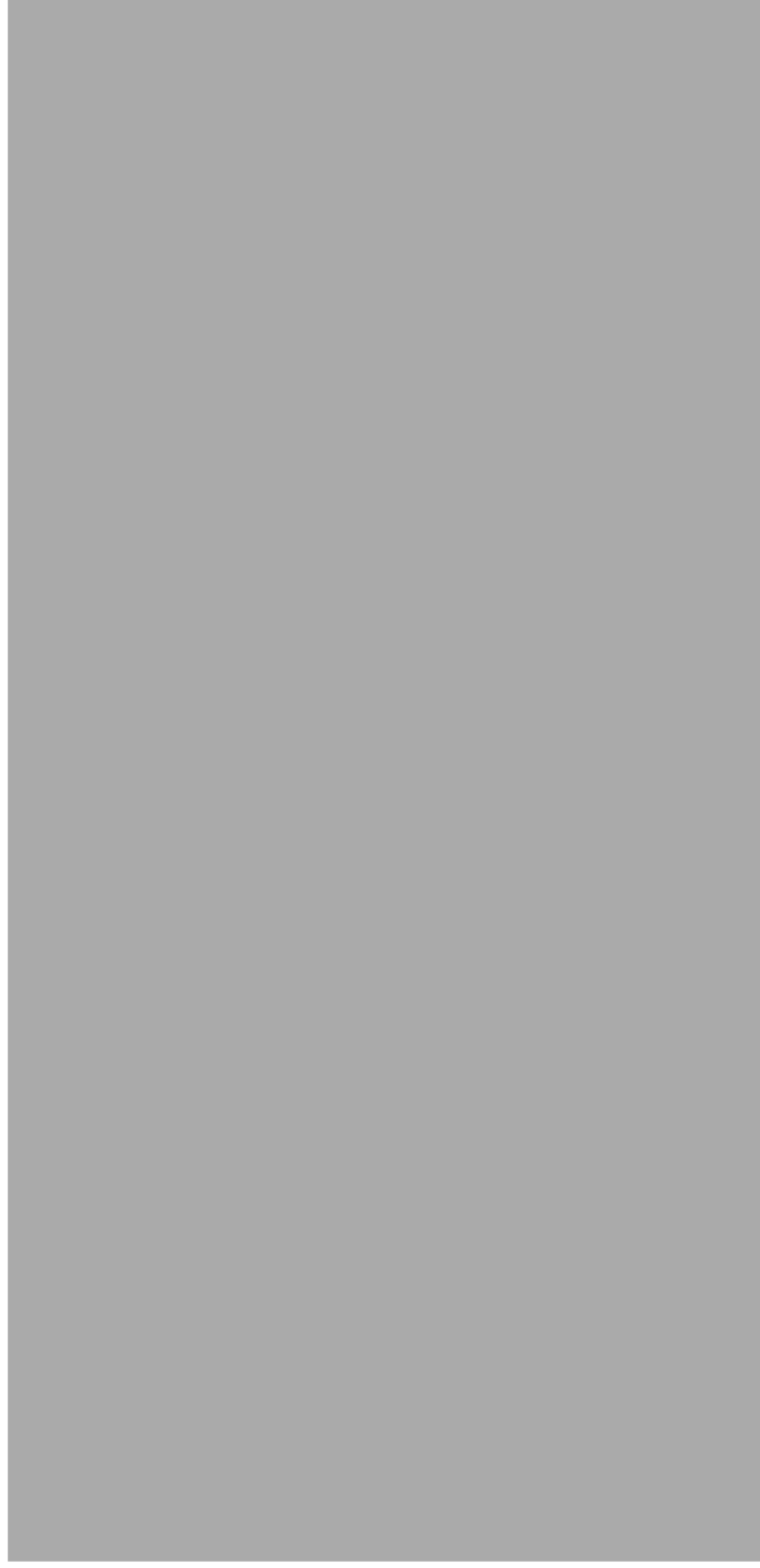
Evaluation criterion 6

- Knowledge and understanding of the electricity industry. Respondents are encouraged to disclose work that they have done in the NSW and South Eastern Australian (NEM) regulated energy sector over the last 5 years, particularly in regard to Networks

Knowledge and understanding of the electricity industry

6

We are pleased provide the State with an outline of our knowledge and understanding of the electricity industry, including a summary of work done in the NSW and NEM regulated energy sector over the last 5 years:



Australian electricity industry overview

6A

The National Electricity Market ("NEM") is an interconnected wholesale pool which facilitates the trade of electricity between generators and retailers across Eastern Australia, whilst the Wholesale Electricity Market ("WEM") performs a similar function in Western Australia

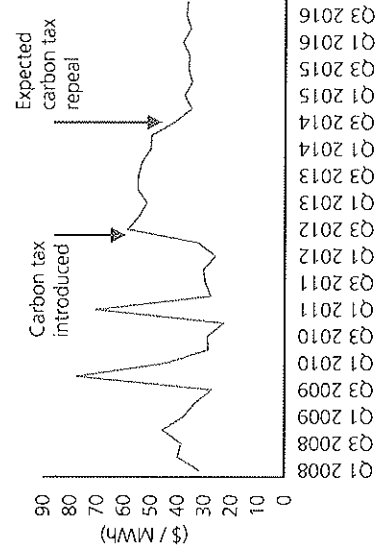
- The NSW electricity networks operate in the NEM, an interconnected electricity wholesale pool that covers 9 million customers across Eastern Australia
- The electricity networks earn revenues through charging customers tariffs for the use of the networks, prices of which are set by the Australian Energy Regulator ("AER")
- High levels of recent investment into the networks across NSW, QLD and SA have been a major component of retail electricity price increases over the last few years
 - networks costs now represent over 50% of a residential electricity bill in NSW, whilst wholesale electricity costs only represent 23%



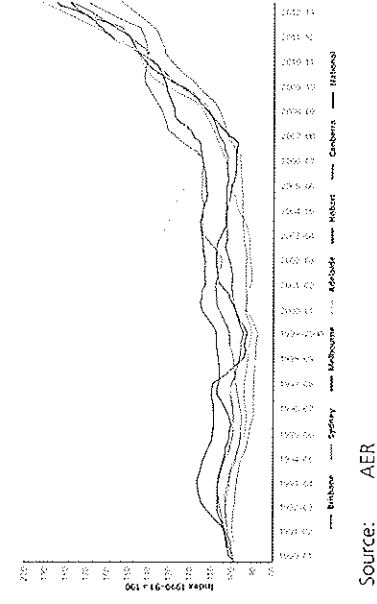
	Generation	Transmission & Distribution	Retail
Overview	<ul style="list-style-type: none"> Electricity is generated at power stations 	<ul style="list-style-type: none"> Electricity is transported from generators to end consumers 	<ul style="list-style-type: none"> Electricity is sold by retailers to residential, commercial and industrial customers
Revenue model	<ul style="list-style-type: none"> Electricity is sold at market determined spot prices through 5 minute auctions and direct contracts 	<ul style="list-style-type: none"> Revenues predominantly earned through regulated revenues determined by the AER 	<ul style="list-style-type: none"> Earn revenues from retail and C&I customers from the sale of electricity

NSW wholesale electricity prices

Electricity prices

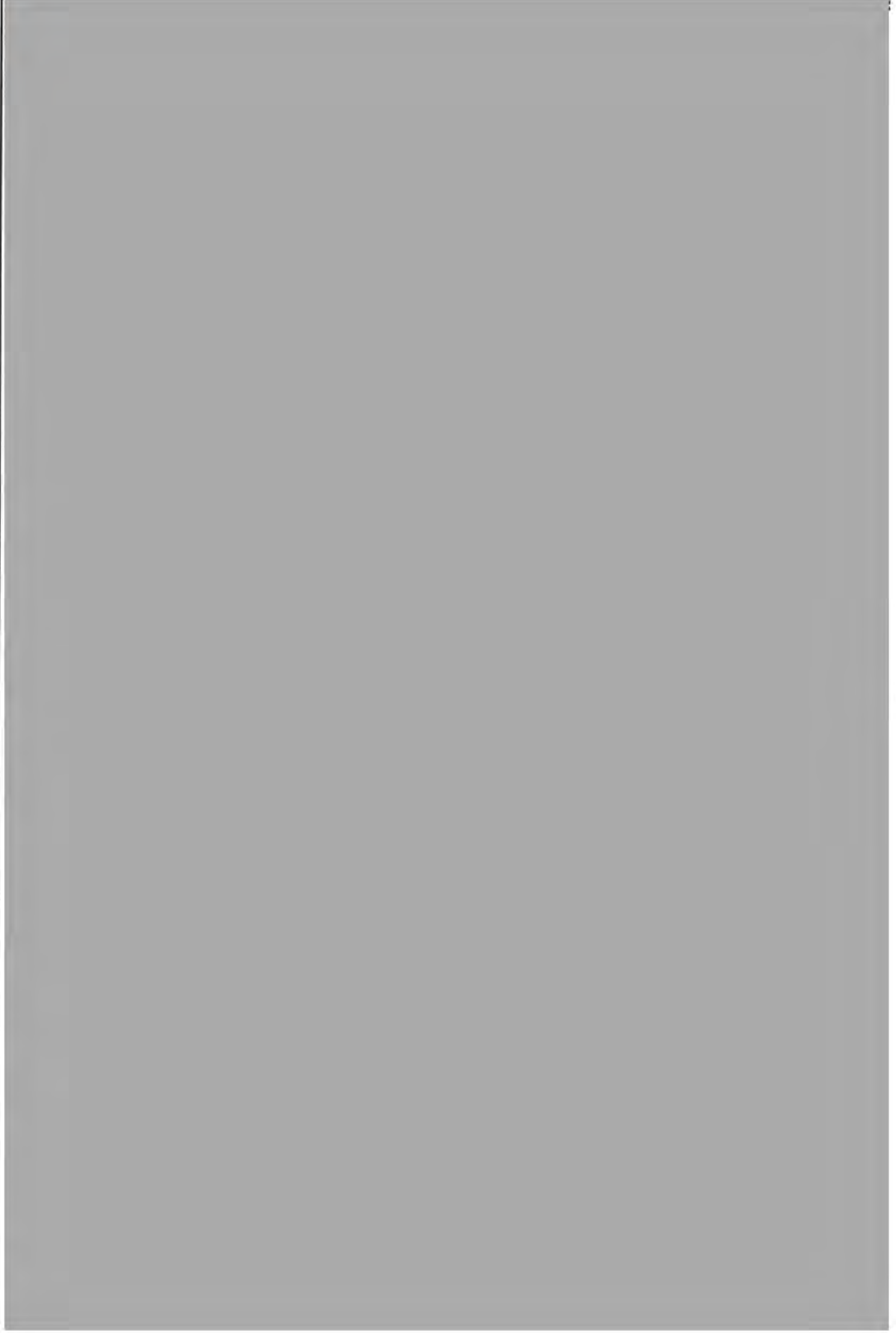


Retail electricity prices (index)



Key themes in the Australian electricity market

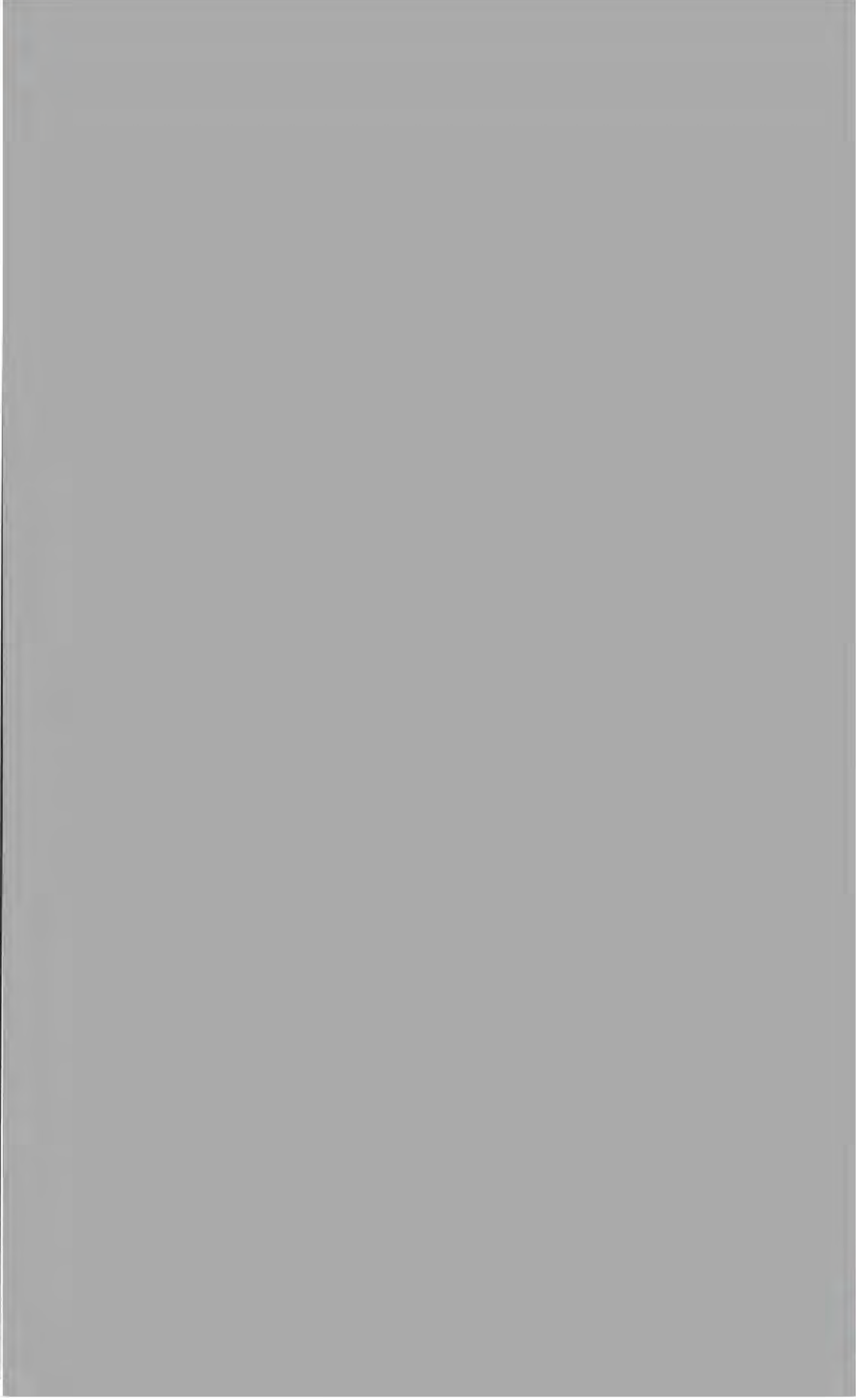
6B



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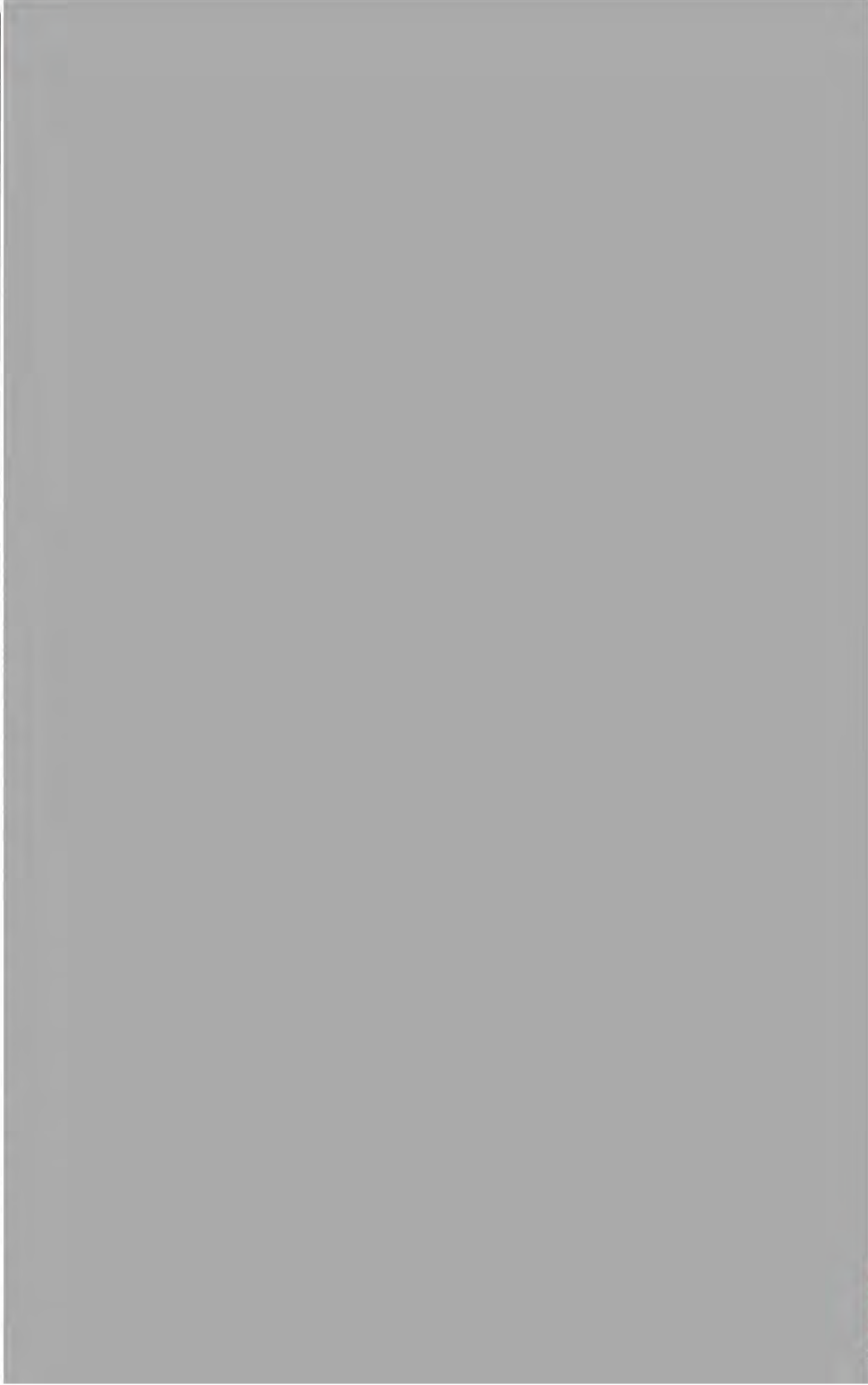
Key themes in the Australian electricity industry

6B



Key themes in the Australian electricity industry

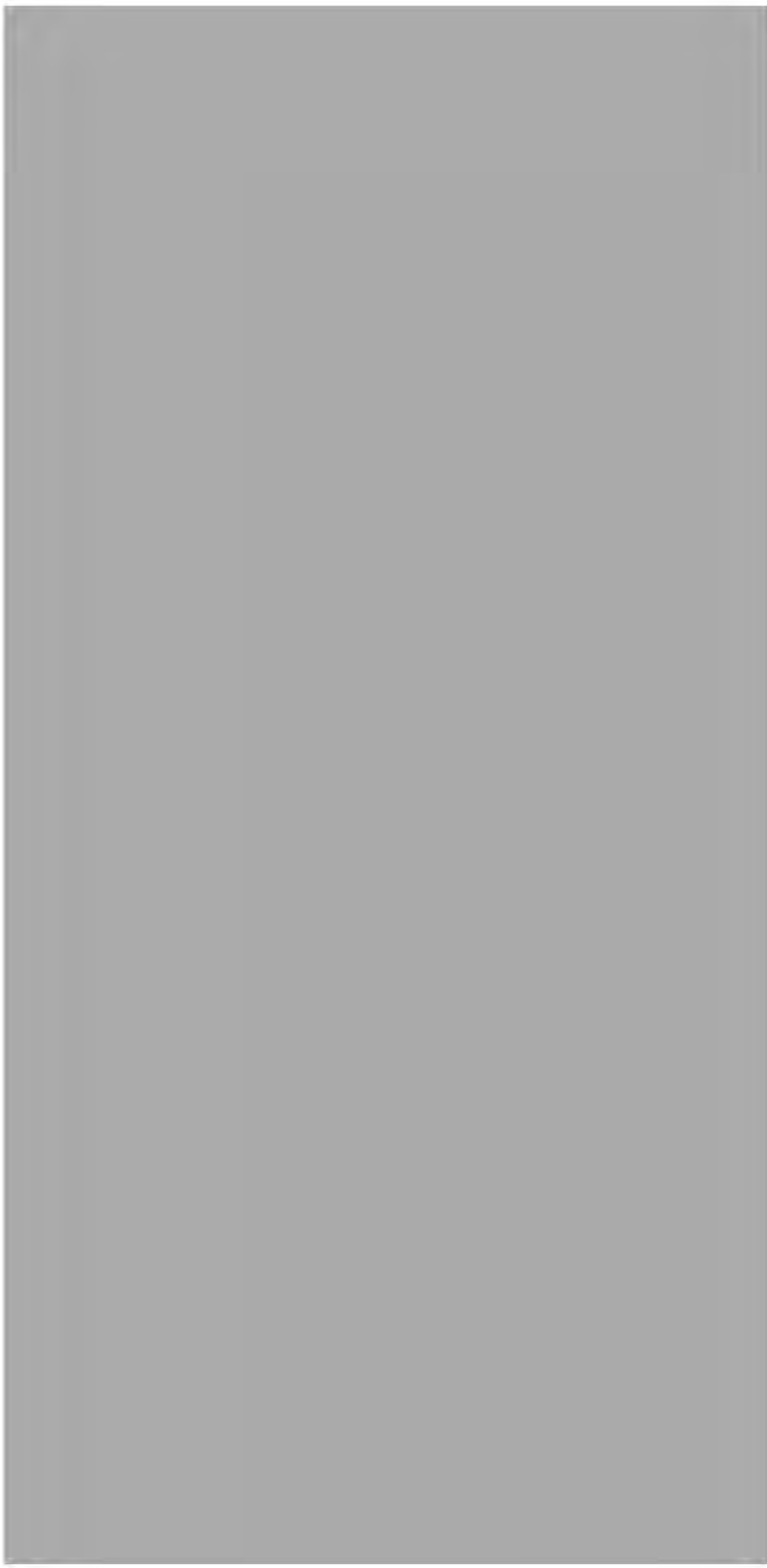
6B



Key themes in regulated energy networks

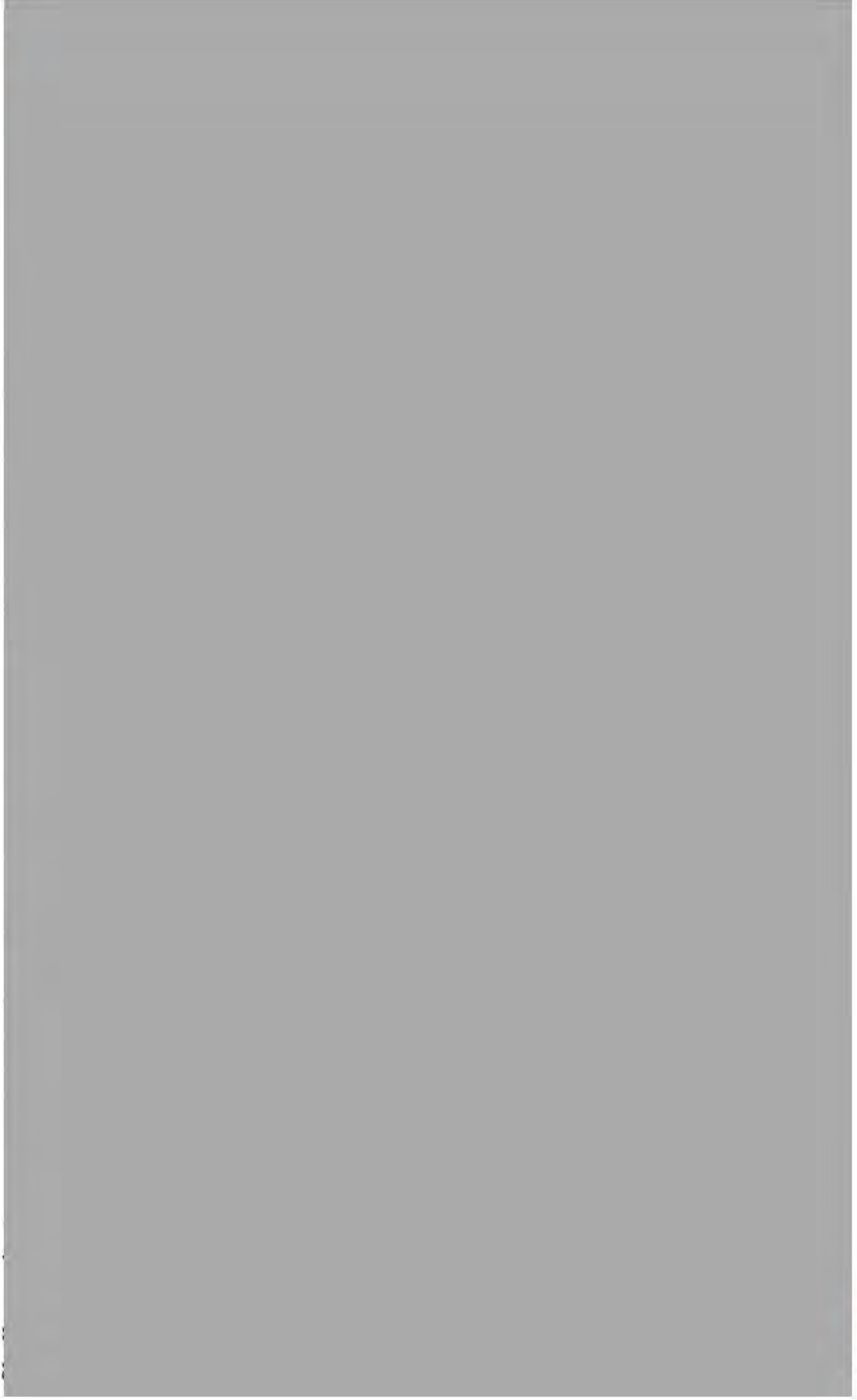
6C

The NSW electricity networks operate in a well regarded RAB based regulatory regime which will be familiar to global regulated infrastructure investors



Key themes in regulated energy networks

6C



Key themes in regulated energy networks

6C

The medium/ long term shape of the networks will be impacted by current and future technology developments, which will help shape bidder RAB growth and long term value assumptions

Key themes in regulated energy networks

6C

Network costs have been the major driver in rising retail electricity bills, and are projected to provide an increasing component in bill breakdown going forward



Relevant experience

UBS has worked with the major participants in the Australian electricity market

6D



2014

Adviser on \$100m placement to fund investment in Fortescue River Gas Pipeline



2013

Adviser on \$100m placement to fund investment in Wheatstone Ashburton Gas Pipeline



2013

Adviser to Networks NSW on submission to Australian Energy Regulator



2013

Adviser, Mandated Lead Arranger, Underwriter, Swap Co-ordinator and Bookrunner to Origin Energy on \$7.4 billion financing package



2012

Adviser on \$434m entitlement offer and CHF250m and CHF275m debt issuances



2011

Adviser and Joint Leader Manager on \$900 million hybrid issuance



2010

Adviser on comprehensive strategic review and Joint lead manager \$295m entitlement offer



2009

Adviser and Joint lead manager for SP AusNet's \$415 million accelerated non-renounceable entitlement offer



2007

Adviser to AGL on acquisition of Powerdirect retail business for \$1.2bn



2006

Adviser to AGL on \$14.2bn merger with Alinta and energy spin-off



Original

Relevant experience – Networks NSW regulatory submission case study

6D

UBS has a thorough understanding of the regulated utility sector and the changes currently being implemented by the Australian Energy Regulator – key considerations for the project

Understanding the regulatory environment the NSW Electricity Networks operate in

- As part of its Better Regulation Guidelines consultation process in 2013, the Australian Energy Regulatory called for submissions from interested parties
- Networks NSW sought to respond to the AER's draft recommendations, including changes in regulatory WACC assumptions



Work performed by UBS

- Networks NSW requested that UBS provide advice pertaining to
 - availability of domestic derivative markets
 - appropriate capital structure
 - appropriate debt markets for issuance by the network businesses
 - estimated cost of implementing certain hedging and debt strategies
- UBS provided Networks NSW with analysis that was ultimately relied upon in submissions to the AER

...The NSW DNSPs have also received advice from UBS on the options available to hedge out debt portfolios to the regulatory allowed cost of debt under the transitional arrangement proposed by the AER. The advice from UBS supports the view that the costs of moving away from the current portfolio approach to debt management would be prohibitively high for the NSW DNSPs and as such the costs of doing so would be inefficiently high...

Networks NSW,
NSW DNSP Submission on the Rate of Return Draft Guideline
11 October 2013

Relevant experience –

6D

[Redacted]

[Redacted]

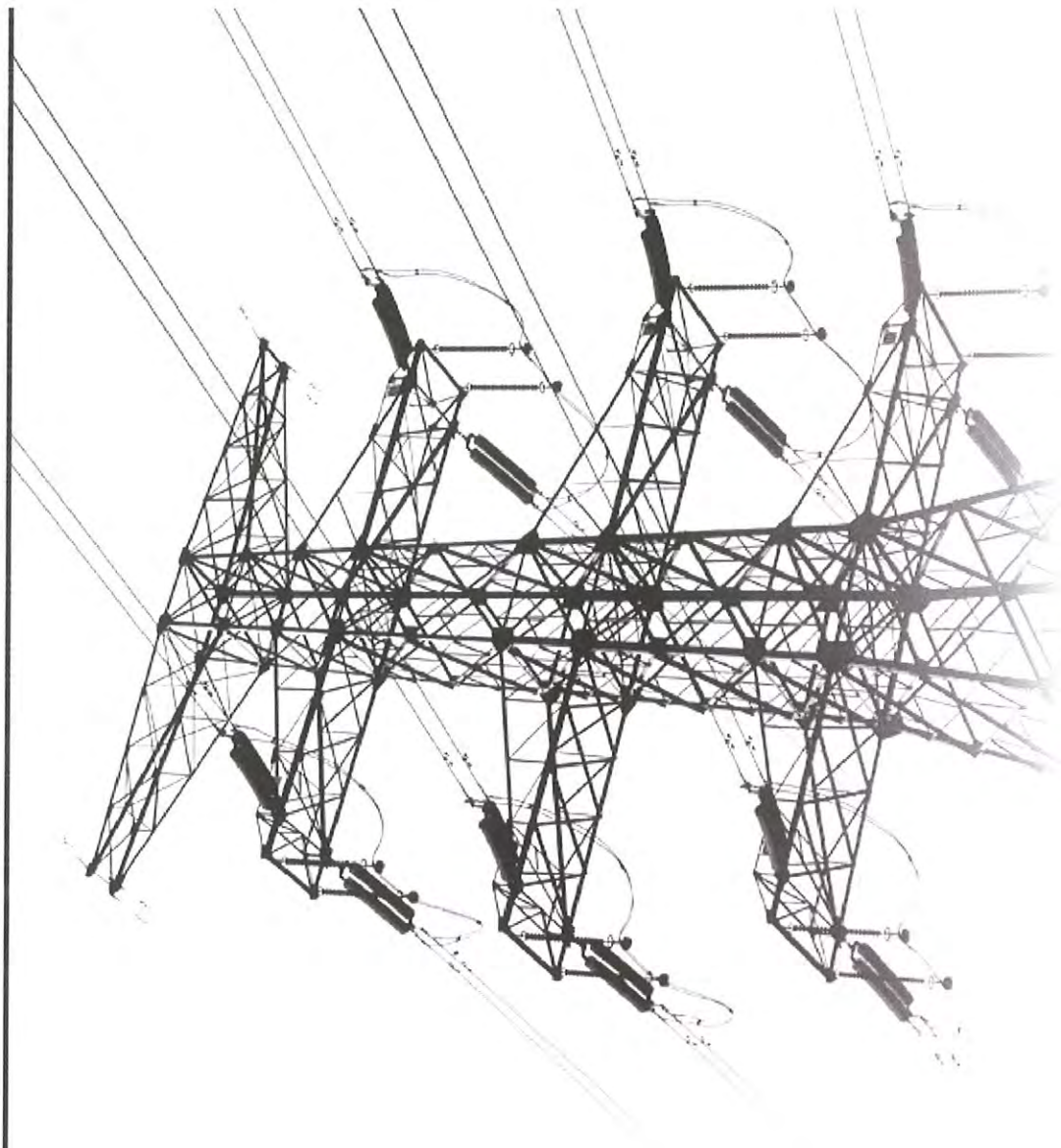
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Relevant experience –

GD

Evaluation Criterion 7

Ability to work with government and other advisers



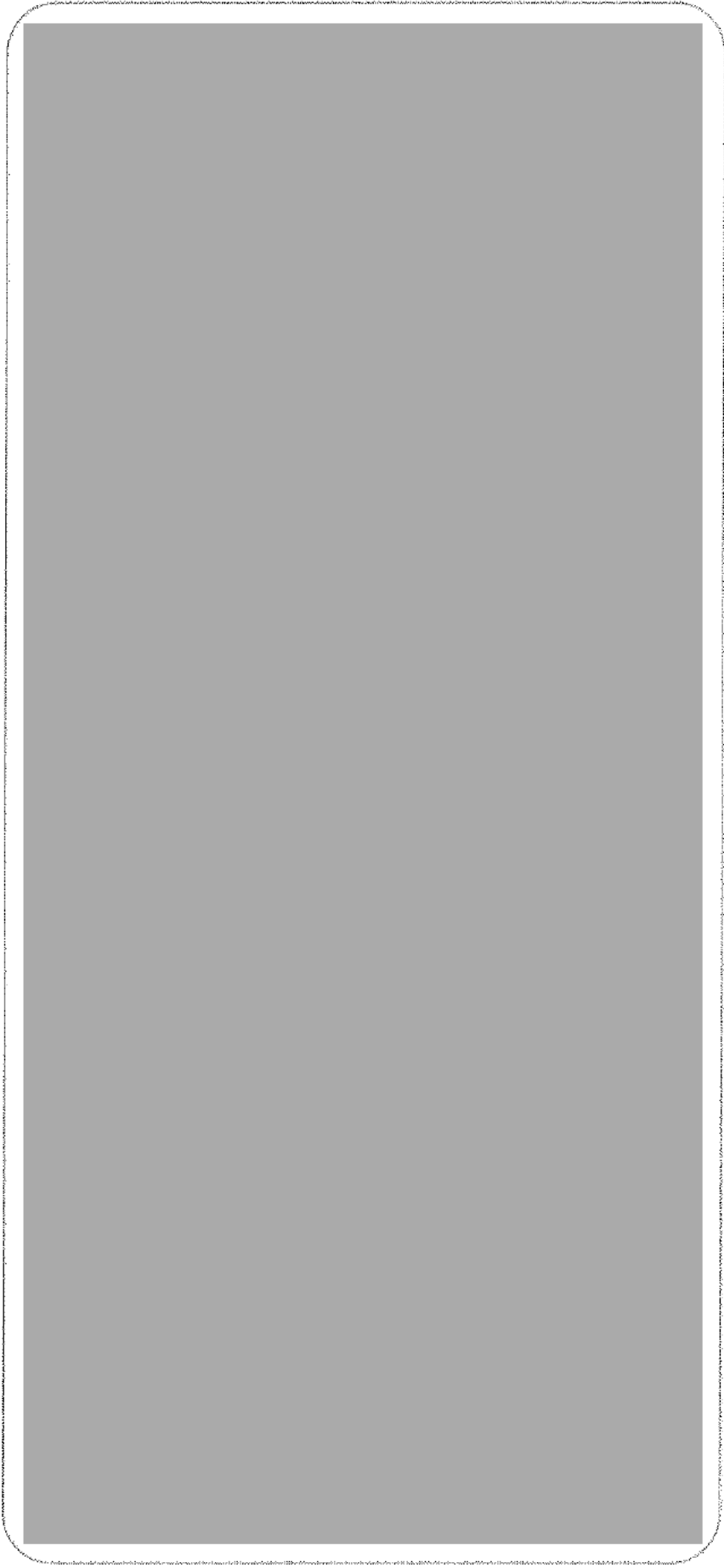
Evaluation Criterion 7

Ability to work with Government and other Advisers

Evaluation criterion 7

- Demonstrated ability to work with government and a number of other Advisers as part of a multi-disciplinary team, including the ability to co-ordinate other Advisers, to provide deliverables within tight timetable requirements, to respond quickly to dynamic project requirements (including changing resourcing levels), and to commit key personnel for the entire duration of the Project

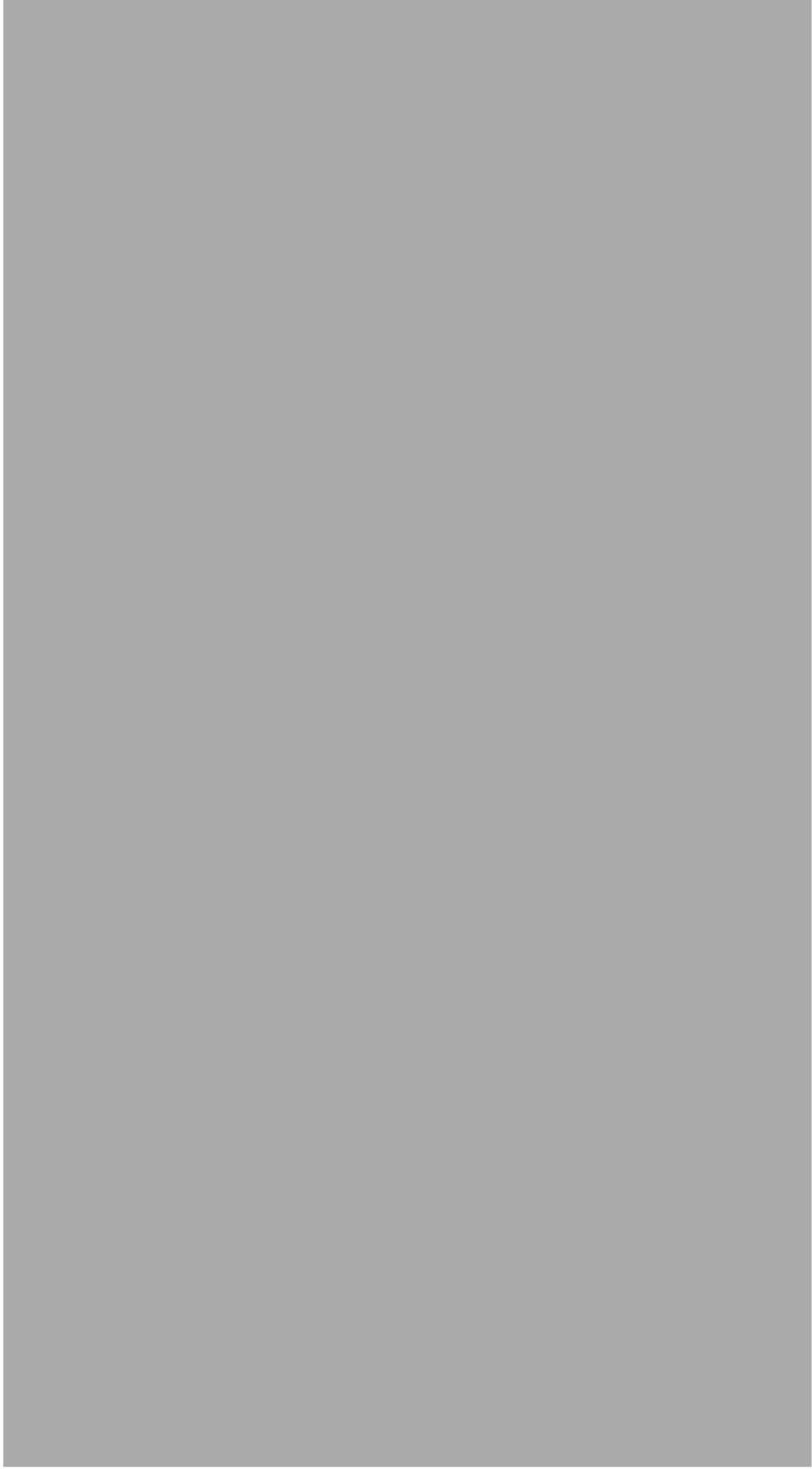
Ability to work with Government and other advisers



The UBS approach to working with Government



UBS approach is premised on ensuring clear objectives, deliverables and timeframes are agreed between advisers and supported by constant communication to ensure "no surprises"



Working with Governments and advisers – QML case study

7B

Queensland Motorways represented one of the most complicated asset sales ever undertaken in Australia – five different assets only recently acquired, each with their own unique characteristics and challenges

Setting the scene - What was Queensland Motorways



Assets	AADT	Function	Traffic profile	Key issues
1. Gateway motorway	~125k	Multi function (freight link, river crossing)	Mature	<ul style="list-style-type: none"> Traffic congestion Substantial capex program
2. Logan motorway	~125k	Multi function (freight link, radial)	Mature	<ul style="list-style-type: none"> Logan Rectification Traffic maturity
3. CLEM7	~28k	City bypass, river crossing	Growth	<ul style="list-style-type: none"> Traffic elasticity under maximum tolls Tolling synergy delivery O&M contract
4. GBB	~13k	Inner city link	Growth	<ul style="list-style-type: none"> Operational delivery
5. LW	n/a	City link, motorway link	Greenfield	<ul style="list-style-type: none"> Construction risk Operational delivery Transcity relationship

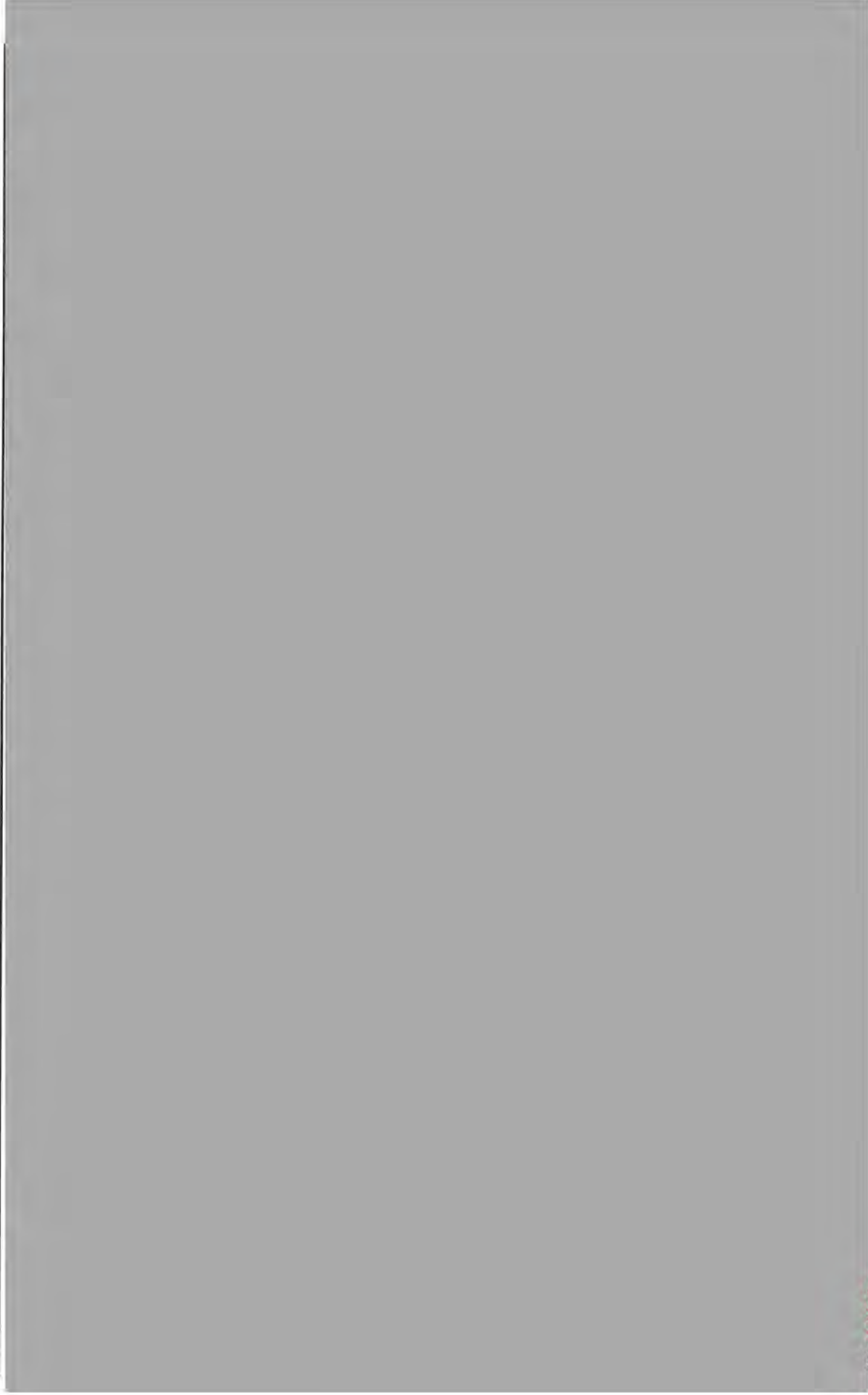
Working with Governments and advisers – QML case study

7B



Working with Governments and advisers – QML case study – UBS role









7B



UBS's ability to co-ordinate multiple parties & large financier groups

7C

UBS has a long track record of successfully working with corporate clients and Government in managing the execution of large and complex transactions

UBS responsibilities											
Financial advisers/Joint Lead Managers		Other advisers		Third parties	Modelling	DD	Capital Struct.	Scoping study	Project mgt	Deal docs ¹	
Transaction											
  2014 —adviser to QIC on the sale of Queensland Motorways on behalf of the Defined Benefit Fund for \$7.06 billion	QIC (UBS and Macquarie)	PwC (accounting and Tax), Allens (Legal) Hyder (Traffic), SMEC(technical)	QLD government, Brisbane City Council, QIC	✓	✓	✓	✓	✓	✓	✓	
  2013 —Adviser to Queensland Motorways Limited on the acquisition of the Go Between Bridge and Legacy Way tunnel from Brisbane City Council for up to A\$1.6 billion	UBS	VLC (traffic), SMEC (technical), AON (Insurance), PwC (accounting and tax), HSF (Legal),	Brisbane City Council, ACCC, QIC	✓	✓	✓	✓	✓	✓	✓	
  2013 —Adviser to NSW Ports in relation to the A\$5.07 billion acquisition of 99-year leases over NSW state-owned port assets	UBS	Drewy (market), ARUP (technical), CBRE (property), KPMG (accounting and tax), HSF (Legal), Synergies (regulatory), AON (insurance), Environ (environmental), Deloitte (logistics)	NSW State Government, ACCC, FIRB	✓	✓	✓	✓	✓	✓	✓	
  2013 —Adviser to Queensland Motorways Limited and QIC on the acquisition of the CLEM7 tunnel from RiverCity Motorway for A\$618 million	UBS	VLC (traffic), SMEC (technical), AON (Insurance), PwC (accounting and tax), HSF (Legal), Deloitte (ITS and systems)	Brisbane City Council, ACCC, QIC	✓	✓	✓	✓	✓	✓	✓	








Note 1: Deal documentation includes drafting and providing advice in relation to preparation of all key transaction documents including Information Memorandums, valuation reports and legal agreements

UBS's ability to co-ordinate multiple parties & large financier groups

7C

UBS has a long track record of successfully working with corporate clients and Government in managing the execution of large and complex transactions

UBS responsibilities									
Transaction	Financial advisers/Joint Lead Managers	Other advisers	Third parties	Modelling	DD	Capital Structure	Scoping study	Proj. mgt	Deal docs ¹
 2011—\$1.6billion sale of its European interests and acquisition of an 11% stake in Sydney Airport	Map (Macquarie, UBS)	Allen & Overy (Map, Legal), Allens (Map, Legal), Gorrissen Federspiel (Map, Legal)	Commonwealth	✓	✓	✓		✓	✓
	OTTP (Goldman Sachs, Gresham)	Atanaskovic Hartnell (OTTP, Legal), Bech-Bruun (OTTP, Legal), Freshfields Bruckhaus Deringer (OTTP, Legal), Torns (OTTP, Legal)	Government and related government bodies European Commission						
 2011—\$1.8bn strategic partnership between Citi Infrastructure Investors (CII) and DP World	CII (HSBC, UBS) DP World (Citigroup, Deutsche Bank)	Hogan Lovells (CII, Legal), Mallesons (CII, Legal) Freehills (DP World, Legal), Linklaters (DP World, Legal) FTI Consulting (DP World, PR)	Stevedores Government and related bodies	✓	✓	✓		✓	✓
 2011—Sale of ForestrySA cutting rights	UBS	KPMG (accounting), Kelly & Co (legal), Pöyry (technical), Estate (technical)	SA Government	✓	✓	✓	✓	✓	✓
 2011—\$11 billion agreement by Telstra to participate in NBN	Telstra (Macquarie, Gresham Partners, UBS) NBN Co (Goldman Sachs)	Telstra (Gilbert & Tobin, Mallesons), NBN Co (Allens, Clayton Utz, Webb Henderson, Blake Dawson)	Federal Government, Grant Samuel (Ind. Expert) ACCC	✓	✓	✓	✓	✓	✓
 2010—\$4.1 billion IPO of QR National as part of the Queensland asset sales	BoA-Merrill Lynch, Credit Suisse, Goldman Sachs, RBS, Rothschild, UBS	Allens (QLD, Legal), Mallesons (QRN, Legal), Minter Ellison (QRN, Legal), Clayton Utz (ILMs, Legal), KPMG (Accounting), Computershare (Share Registry)	Co-Lead Managers	✓	✓	✓	✓	✓	✓





Note 1: Deal documentation includes drafting and providing advice in relation to preparation of all key transaction documents including Information Memorandums, valuation reports and legal agreements



UBS's ability to co-ordinate multiple parties & large financier groups

7C

UBS has a long track record of successfully working with corporate clients and Government in managing the execution of large and complex transactions

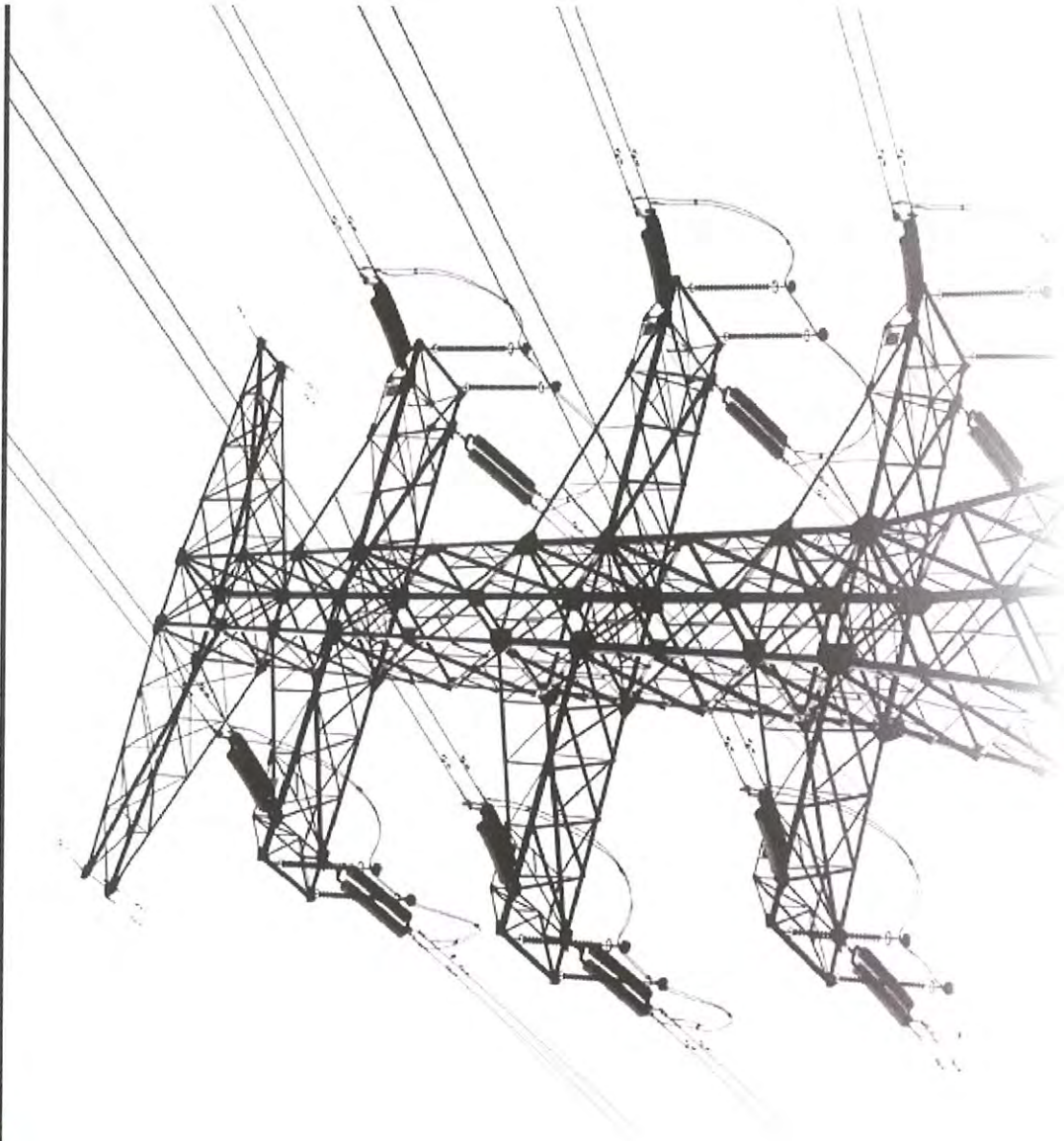
UBS responsibilities									
Transaction	Financial advisers/Joint Lead Managers	Other advisers	Third parties	Modelling	DD	Capital Structure	Scoping study	Project mgt	Deal docs ¹
 2009–2011—\$235 million privatisation of WSN Environmental Solutions	UBS	Gilbert & Tobin (Legal/competition), Clayton Utz (Legal), Ernst & Young (Accounting/Tax), ERM (Environment), Kreab Gavin Anderson (Communications), RSM Bird Cameron (Probity), Procure (Probity)	NSW Government, ACCC, Waste Asset Management Corporation, Crown Solicitors office, Land and Property Management	✓	✓	✓	✓	✓	✓
 2009—Strategic review and transaction for Special Number Plates business grant	UBS	Clayton Utz (Legal), Ernst & Young (Accounting), Procure (Probity)	NSW Government, NSW Police, RTA	✓	✓	✓	✓	✓	✓
 2006—\$15.5 billion sell-down of final tranche of Telstra shares	UBS, ABN Amro, Goldman Sachs, Caliburn, Merrill Lynch (Business, Telstra advisers)	Mallesons (Telstra, Legal), Freehills (Legal), PwC (Accounting), Greenwood & Freehills (Tax), Sparke Helmore (Process), Various others	11 x Retail Lead Managers, 6 x Co-lead Managers, 2 x Co-Managers, Federal Government, ACCC	✓	✓	✓	✓	✓	✓
 2006—Proposed \$3 billion IPO of Snowy Hydro Limited	UBS, GSJBW, Macquarie, CS (Govt), JPMorgan (Snowy)	Baker & McKenzie (Legal) Deloitte (Investigating accountants) Deloitte (Tax)	Co-managers, NSW, Victorian and Federal Governments, PB Power (Engineering)	✓	✓	✓	✓	✓	✓

Note 1: Deal documentation includes drafting and providing advice in relation to preparation of all key transaction documents including Information Memorandums, valuation reports and legal agreements



Evaluation Criterion 8

Conflicts of interest and reporting procedures



Evaluation Criterion 8

Conflicts of interest and reporting procedures

Evaluation criterion 8

- Absence of any existing or potential conflicts of interests, and the approach to identifying, reporting and managing any potential conflicts of interest during the course of the Project

Conflicts of interest and reporting procedures

8A

UBS confirms that it has no existing or potential conflicts of interest and being a global Investment Bank has a global conflict clearance process to management actual, potential or perceived conflicts

Confirmation of no conflicts

UBS confirms that there are no circumstances, arrangements or understandings that constitute an existing or potential conflict of interest with UBS' proposed obligations acting as financial adviser to the State as outlined in the Request for Proposal.

Global conflict processes – approach to identifying, reporting and managing potential conflicts

UBS has a Global Conflicts of Interest Policy that is strictly enforced. This Policy establishes principles in relation to UBS' approach to the identification and management of conflicts of interest. Accordingly, in order to address and manage any potential conflict of interest that may arise (including in relation to non-advisory services such as debt capital and/or equity capital market services to potential bidders, purchasers, lessees, financiers and other parties in relation to the project), UBS will:

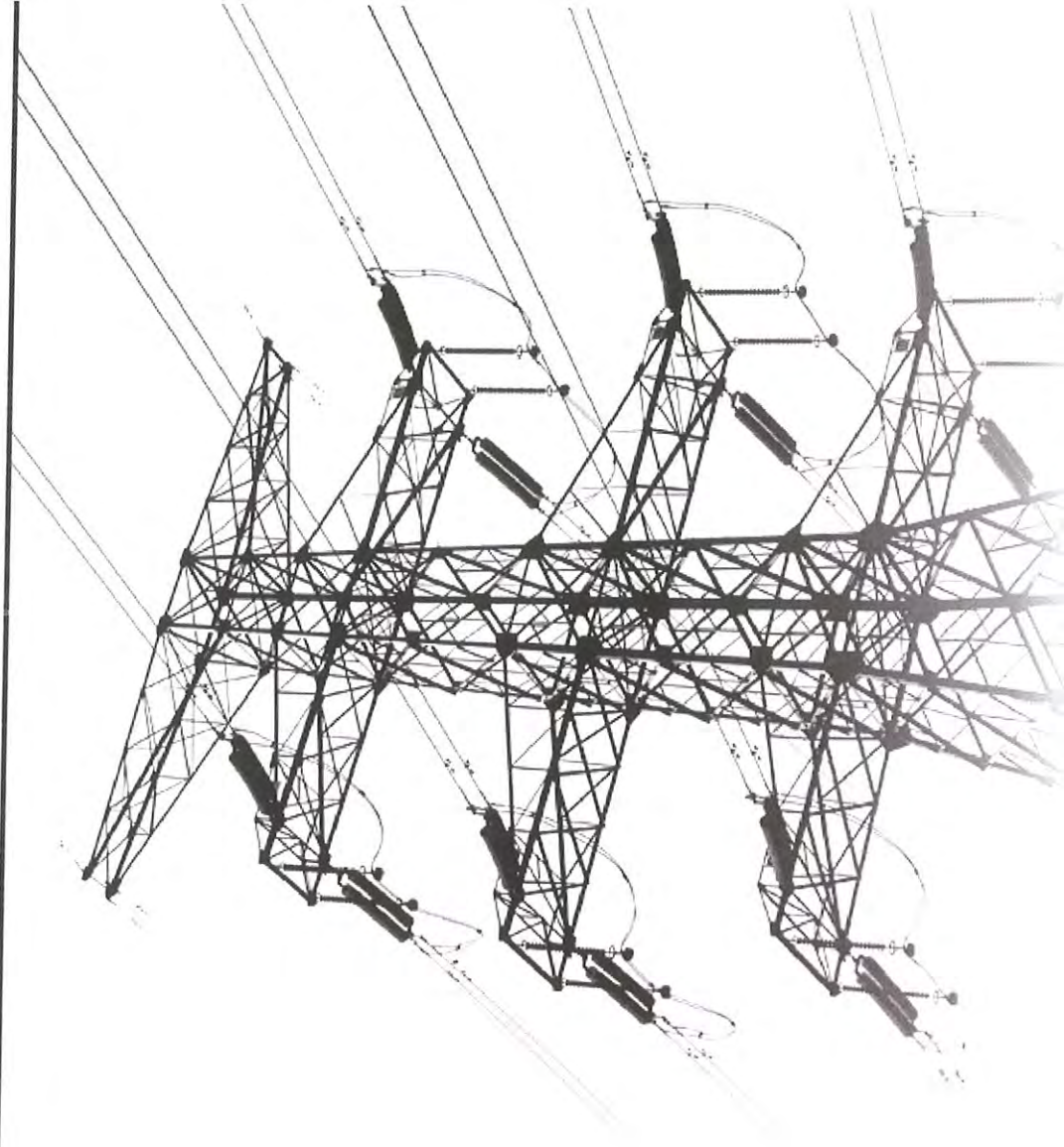
- Undertake ongoing global conflict clearance checks to identify any actual or potential conflicts
- Notify NSW Treasury of any proposed financial advisory or funding role where it considers that role could create an actual or potential conflict of interest
- Where appropriate, take reasonable steps to manage that conflict of interest; and
- Ensure ongoing monitoring by UBS's business management

These procedures would supplement the rules, policies and procedures, including permanent and ad hoc information barriers between and within divisions of UBS (such as between the Investment Banking Department and Equities Division) and other members of the UBS Group, to assist in ensuring that (i) the individual officers and employees involved in an assignment undertaken by a member of the UBS Group are not influenced by any such conflicting interest or duty, (ii) that any confidential information held by a member of the UBS Group is only communicated within UBS and to UBS persons on a need to know basis and (iii) adequate arrangements are in place for the management of conflicts of interest.

UBS believes it has a long standing and strong reputation for integrity and honesty in this regard and has a culture of providing fair and impartial advice to clients. This reputation and culture ensures that the State can be confident that its interests will be served fairly and independently throughout the Project.

Evaluation Criterion 9

Proposed fees



Evaluation Criterion 9

Proposed fees

Evaluation criterion 9

- Proposed rates and fee structure for Phases One and Two, including the firm's approach to ensuring that value for money is obtained by the State throughout the Project, and the cost to Government of managing and administering the engagement is minimised

Proposed fees– Phase One

UBS' proposed fee structure has been designed to align UBS' objectives with the State project objectives

9A

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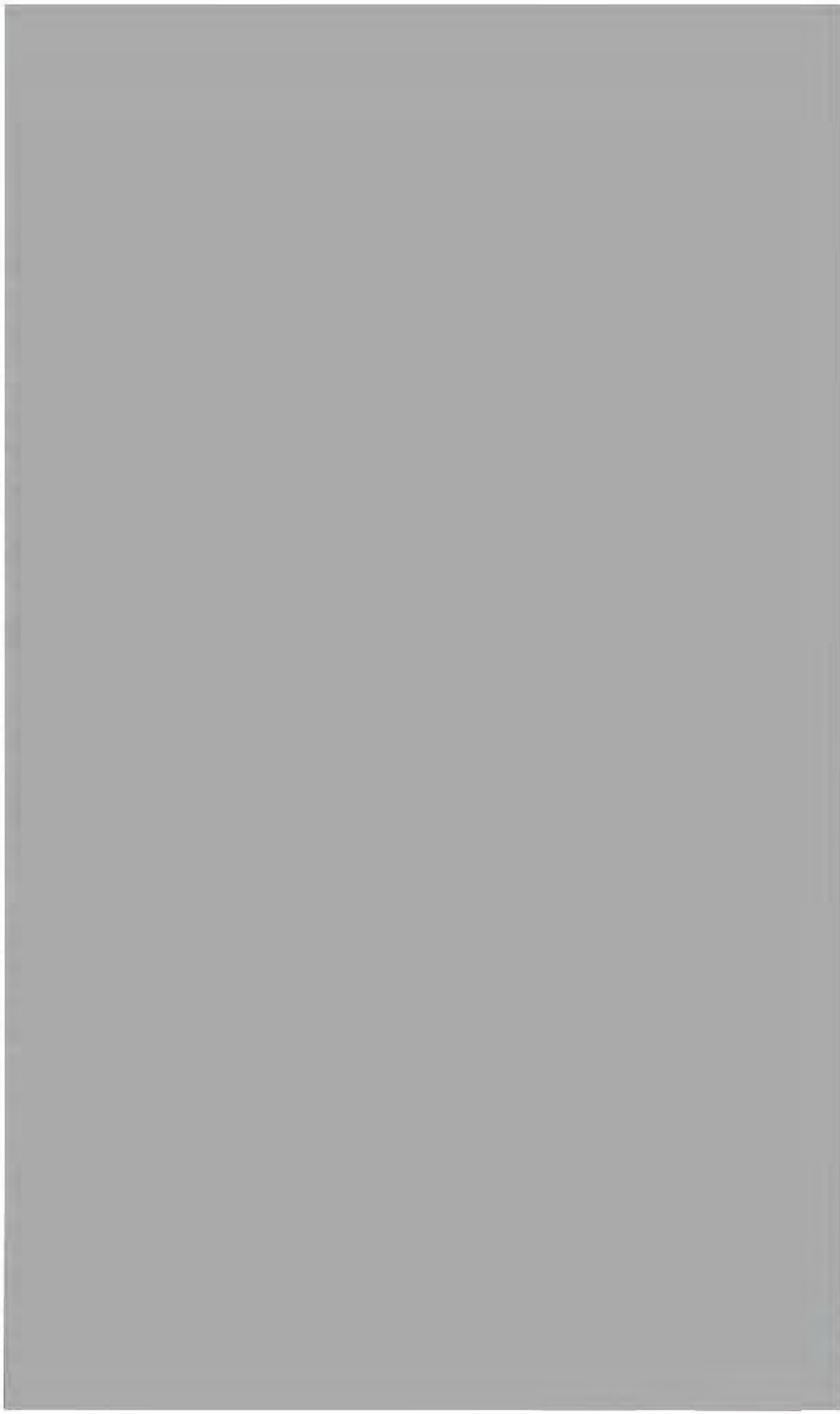
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Proposed fees– Phase Two - sole and joint financial adviser

UBS' proposed fee structure has been designed to align UBS' objectives with the State project objectives



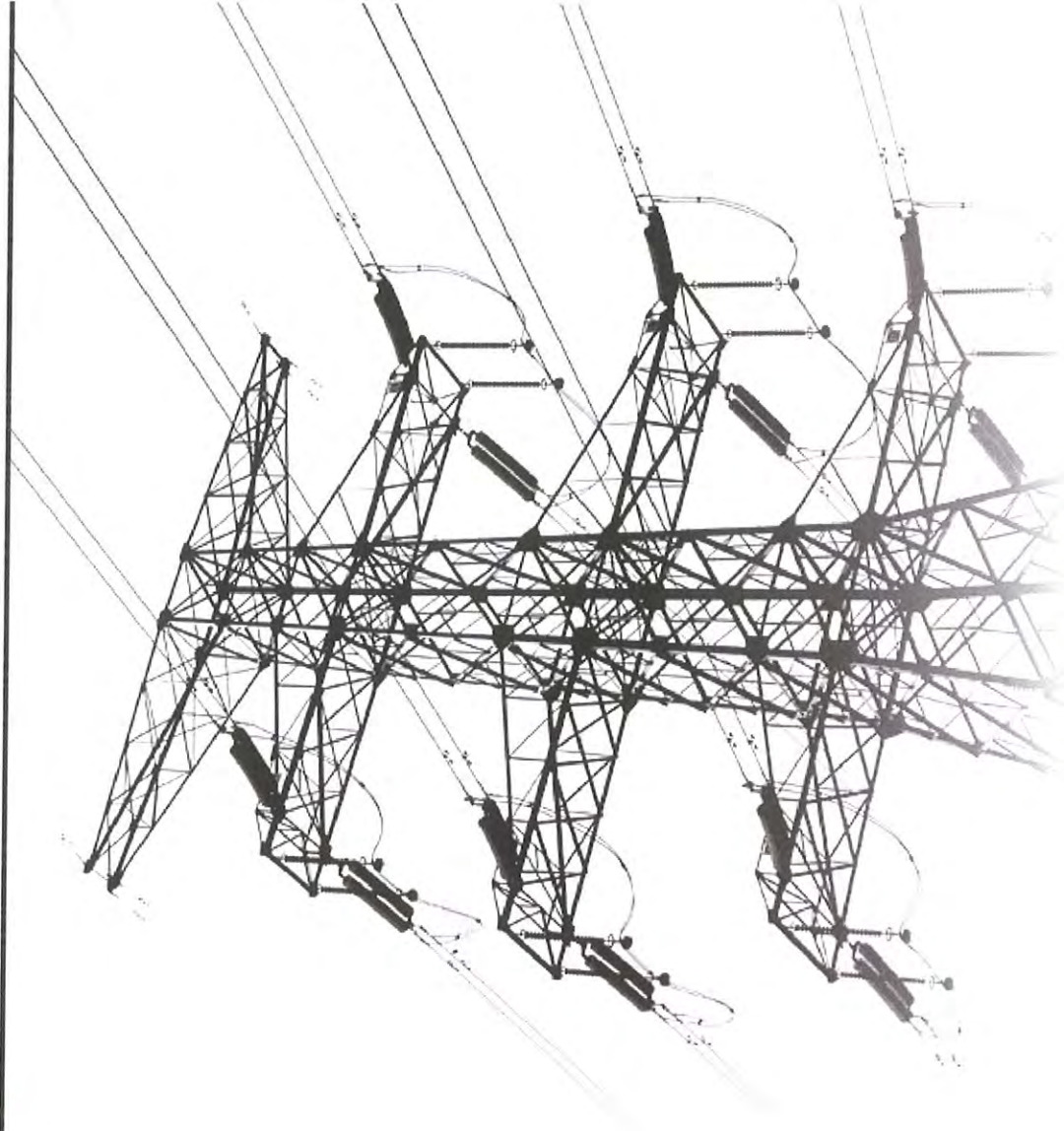
Proposed fees– other considerations

9C

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Evaluation Criterion 10

Compliance with RFP Section 5 requirements



Compliance with RFP section 5 requirements

Evaluation criterion 10

- Response to each criteria
- Details of any other commercial asset sale panels (Commonwealth or other State governments) of which the Respondent is a member
- The name, address and legal status of the firm
- The key specified personnel (including curriculum vitae) and a statement in regard to their availability and time commitment for the duration of the Project. Other nominated persons should also be identified and information provided about how their time will be dedicated to the Project
- Approach to providing value for money – including
 - Minimum of two fee proposals – one that assumes Phase Two will proceed and one that assumes Phase Two does not proceed;
 - Discounts and synergies that may be available; Any other initiatives proposed to ensure that value for money is obtained by the State throughout the Project
 - Any other initiatives proposed to ensure that value for money is obtained by the State throughout the Project
 - Approach to charging for expenses
- Agreement to sign the attached Consultancy Agreement, without material amendment. Any requested amendments to the Consultancy Agreement must be provided as a separate annexure in table form
- Agreement that a Confidentiality and Privacy Deed (in the form set out in Schedules 6 and 7 of the Consultancy Agreement or in such form as may be required by the Principal) will be executed by the Respondent if requested by the Principal

Compliance with RFP requirements

10A

Response to
each criteria

- UBS confirms that this RFP responds addresses each of the State's Evaluation Criteria as set out in set out in Section 4.2 of the Process Letter dated 11 June 2014

Other
commercial
asset sale panels

- UBS confirms that it is currently not a member of any other commercial asset sale panels, either for the Commonwealth or other State governments

Name, address
and legal status
of the firm

Name UBS AG (Australia branch)

Address Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Legal status UBS AG is a company incorporated under the laws of Switzerland, and registered as a foreign company with ASIC (ARBN 008 129 613)



Original

Compliance with RFP requirements

10A

- UBS stands ready to commit a well resourced and experienced team to this important project, with the key specific personnel committing significant time to this transaction
 - CVs attached in Appendix A and B of this RFP response
- In addition, other nominated persons supporting the project are fully committed and will dedicate time as required according to their specific areas of expertise
 - Refer to response to Evaluation Criterion 2 and Evaluation Criterion 3 of Volume II for full details of the team UBS will commit to the project

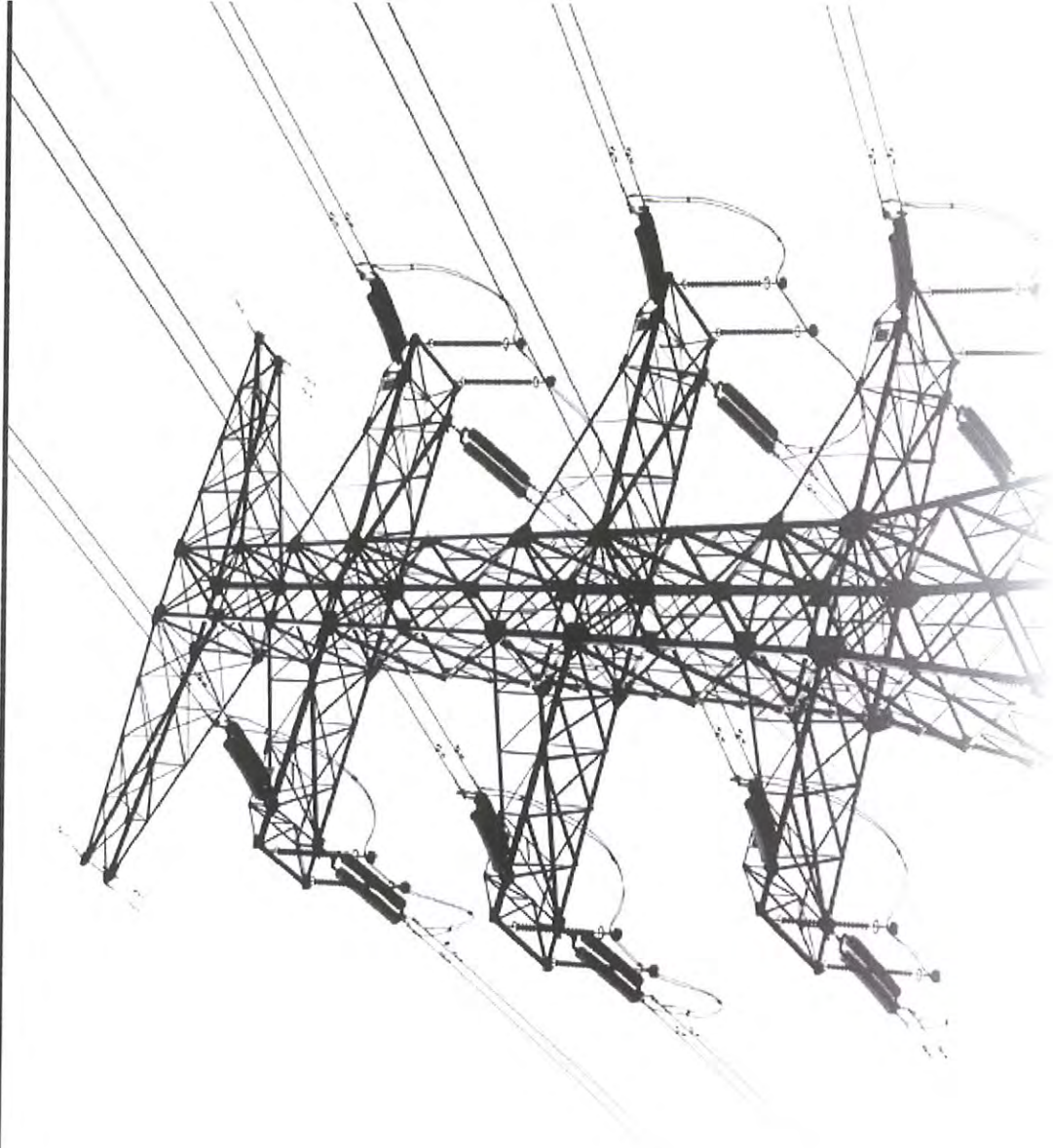
Compliance with RFP requirements

10A



Appendix A

Consultancy Agreement departures table



UBS’ proposed amendments to draft Consultancy Agreement

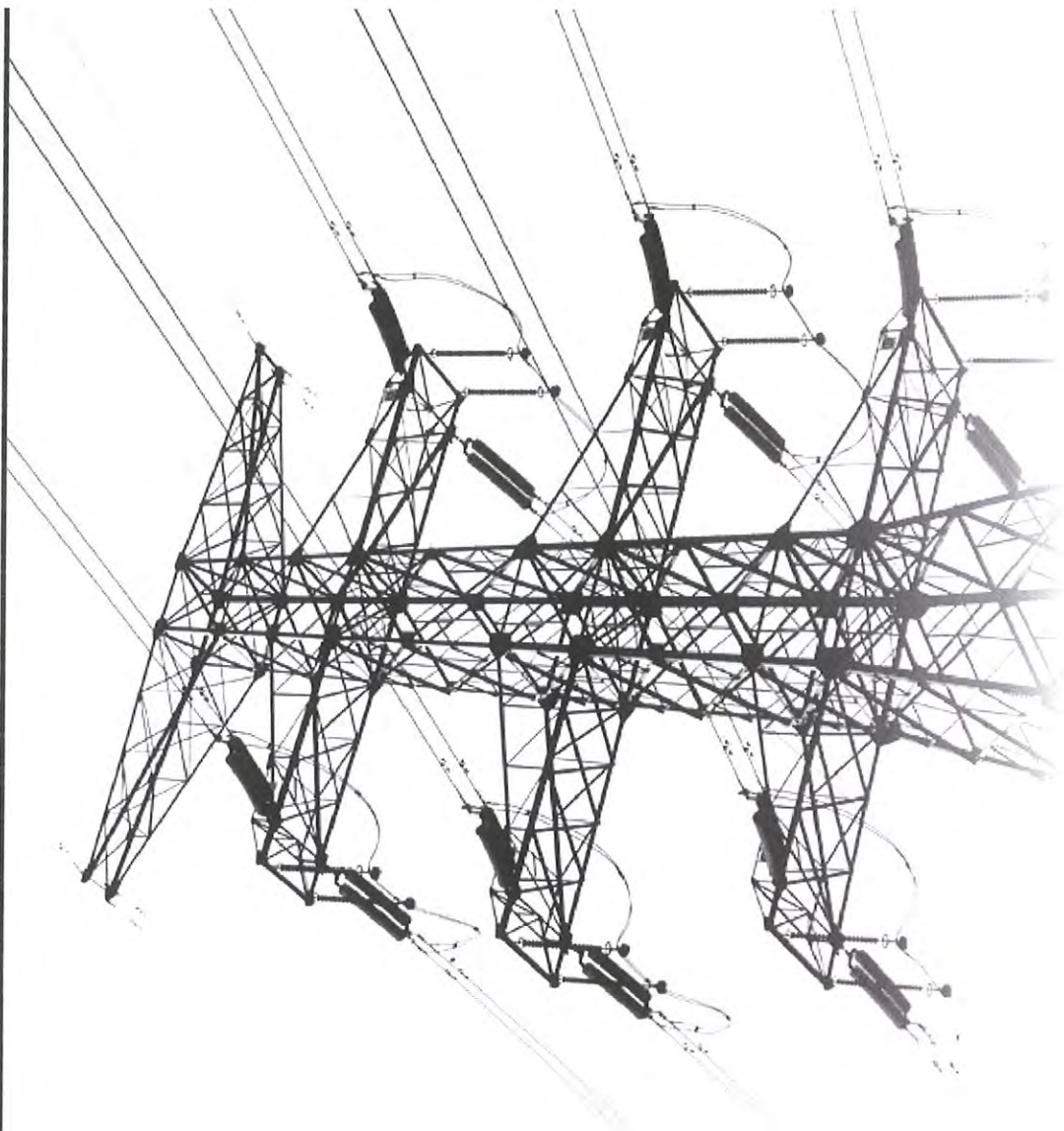
Page	Section	Amendment	Explanation

UBS' proposed amendments to draft Consultancy Agreement

Page	Section	Amendment	Explanation

Appendix B

UBS core team CVs

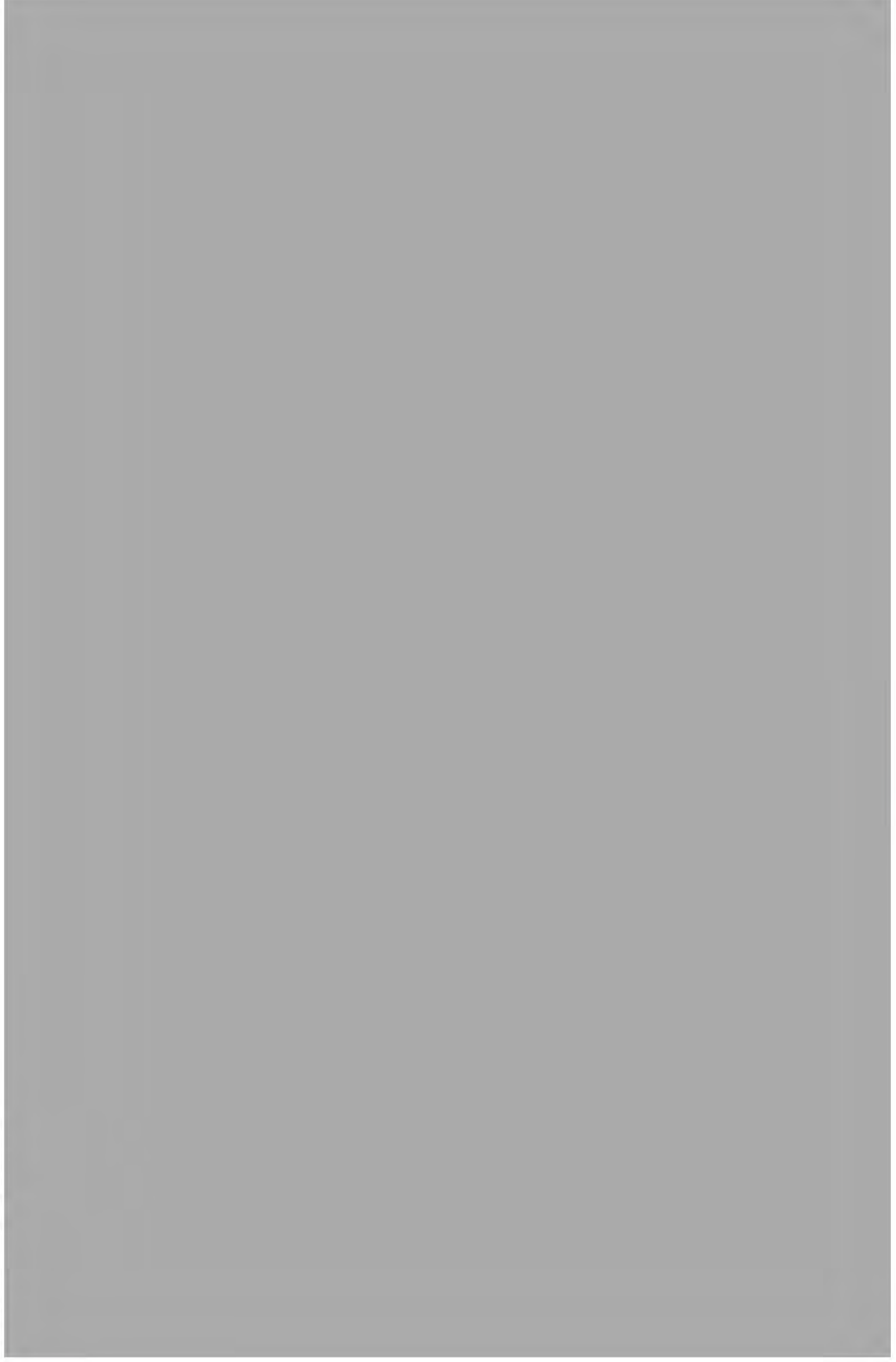


Matthew Grounds

Senior Sponsorship



MATTHEW GROUNDS
CEO of UBS Australasia
Group Managing Director



Original

Matthew Grounds

Senior Sponsorship



Original

Guy Fowler

Project leaders



GUY FOWLER
Managing Director, Chairman, CCS Australasia
Previously Head of Investment Banking

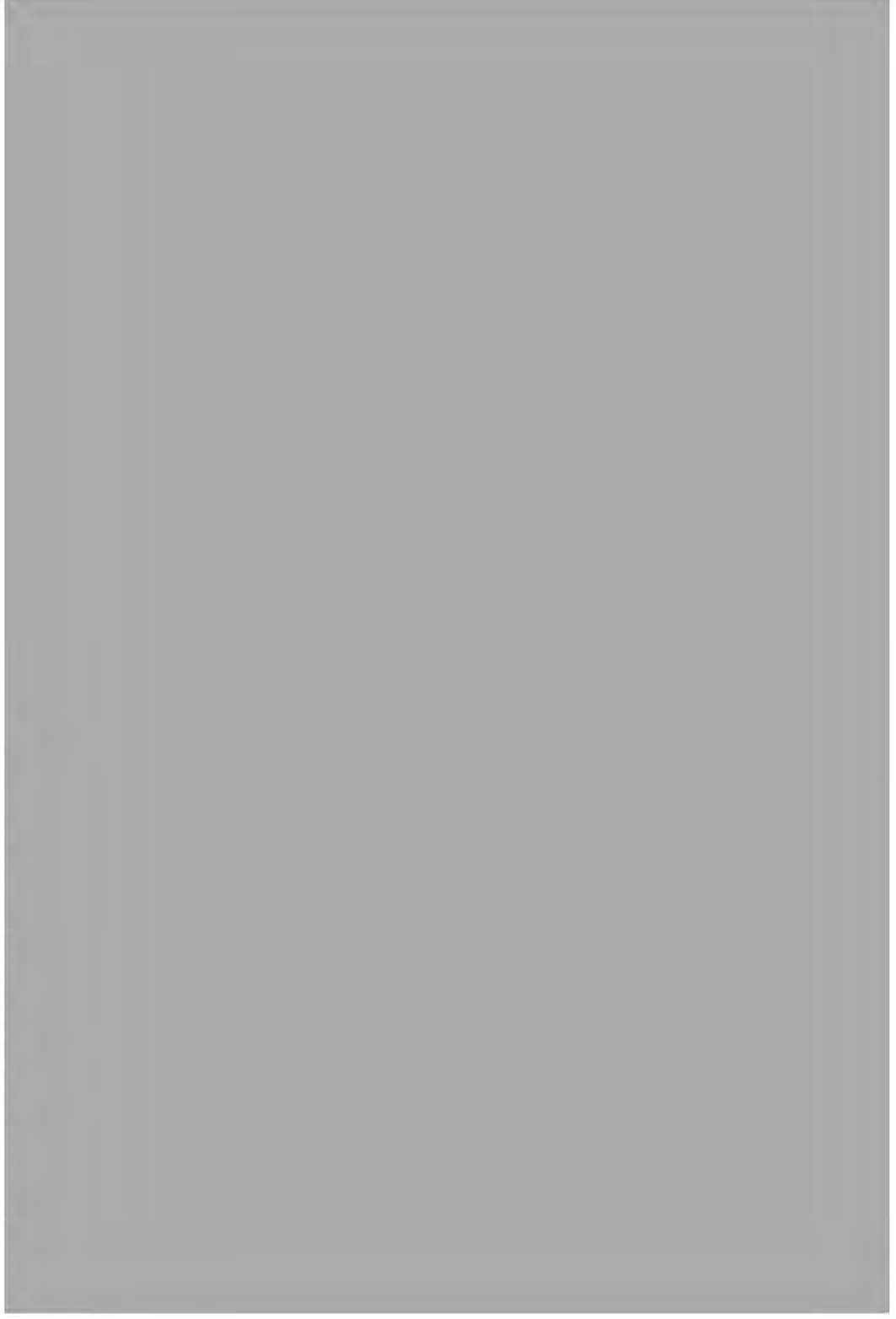


Anthony Sweetman

Project leaders



ANTHONY SWEETMAN
Managing Director, Head of Investment Banking Australasia



Anthony Sweetman

Project leaders



RELEVANT EXPERIENCE (continued)



David Di Pilla

Specialist industry
expertise



DAVID DI PILLA
Managing Director, Co-Head of Global Industrials Australia, Investment Banking



David Di Pilla

Specialist industry
expertise



RELEVANT EXPERIENCE (continued)



Jarrod Key

Core execution team



JARROD KEY
Managing Director, Head of Power, Utilities and Infrastructure



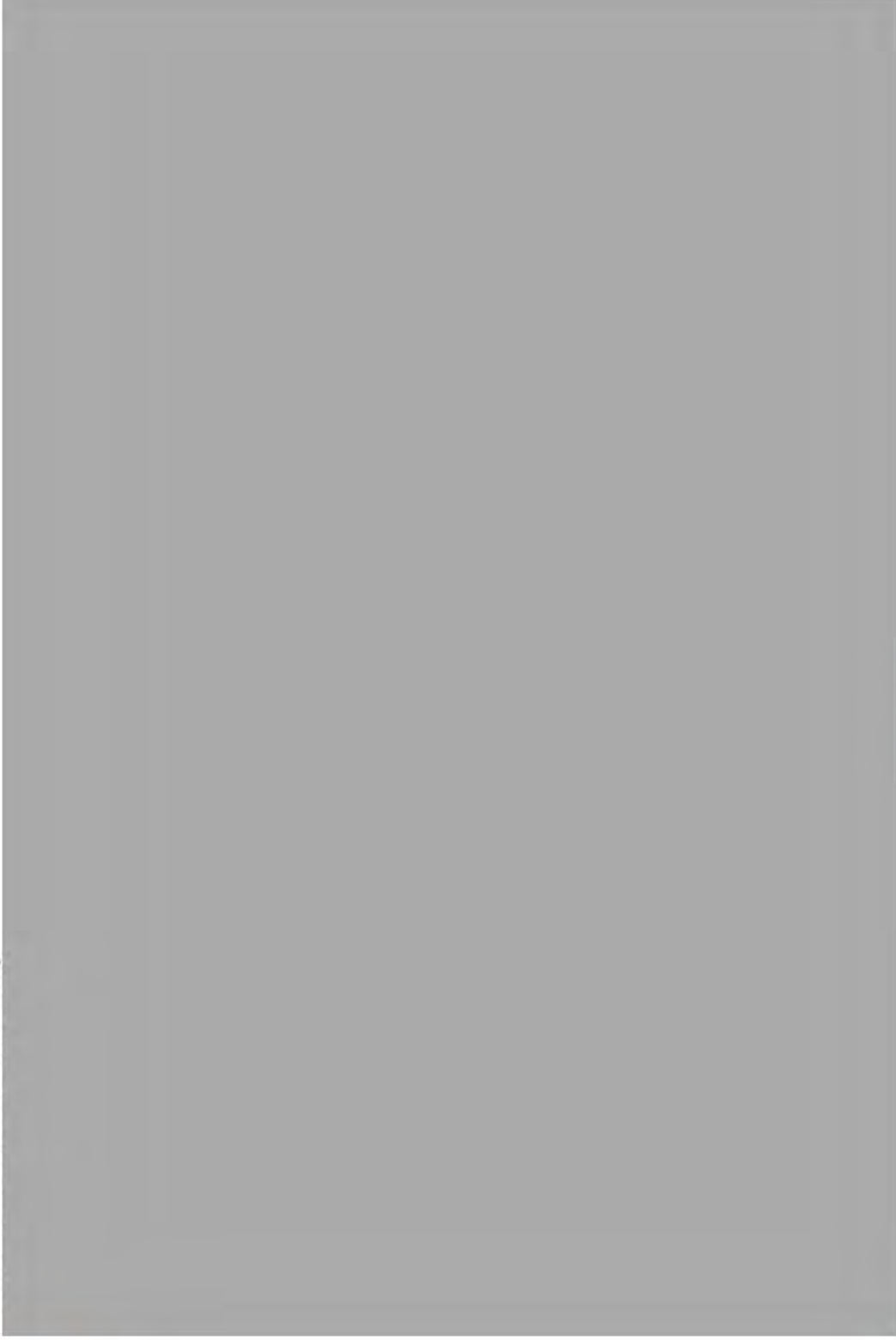
Original

Sam Kyprianou

Core execution team



SAM KYPRIANOU
Executive Director, Investment Banking



Original

Victoria Hardie

Core execution team



VICTORIA HARDIE

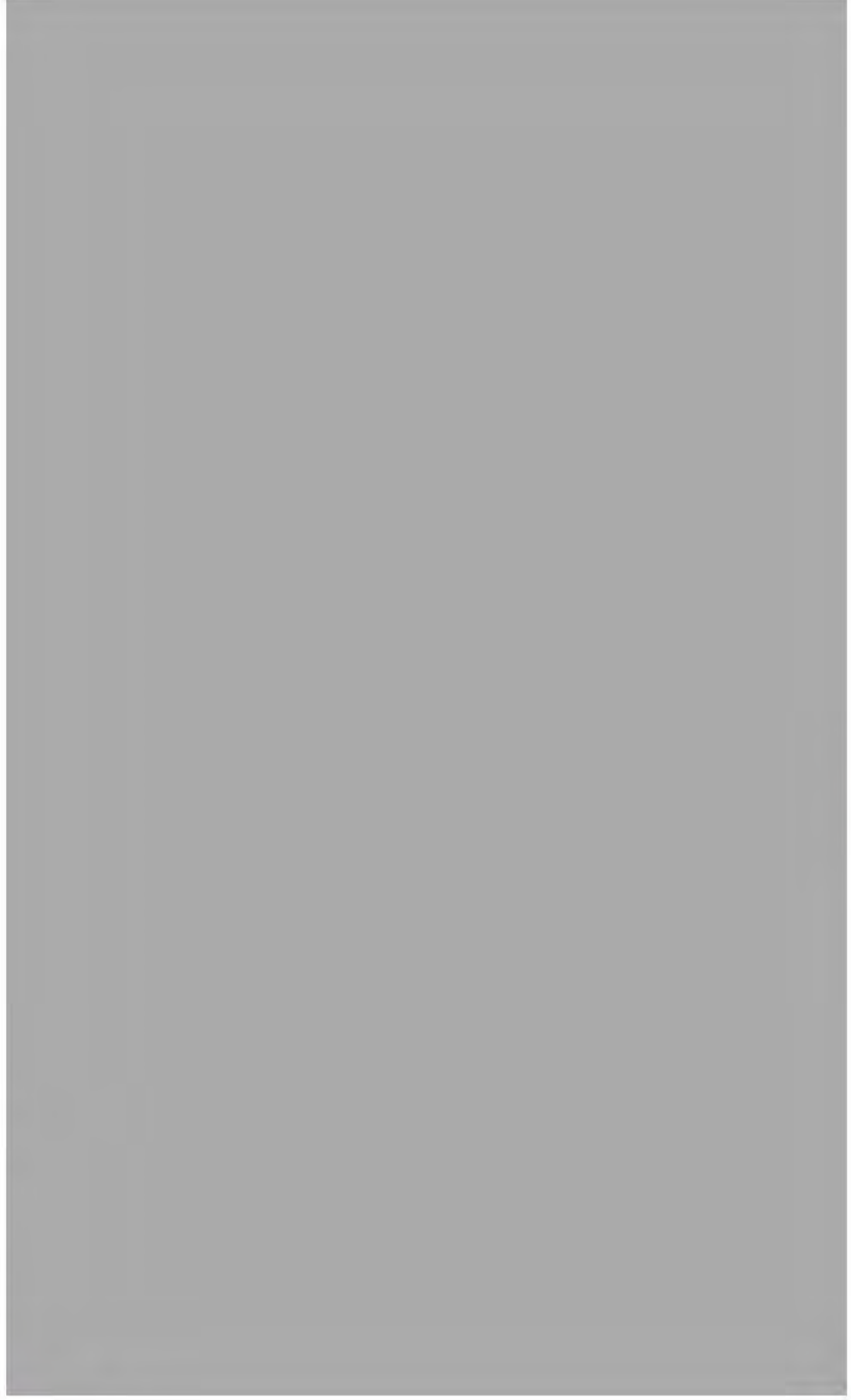


Alex Hammacher

Core execution team



ALEX HAMMACHER
Director, Investment Banking

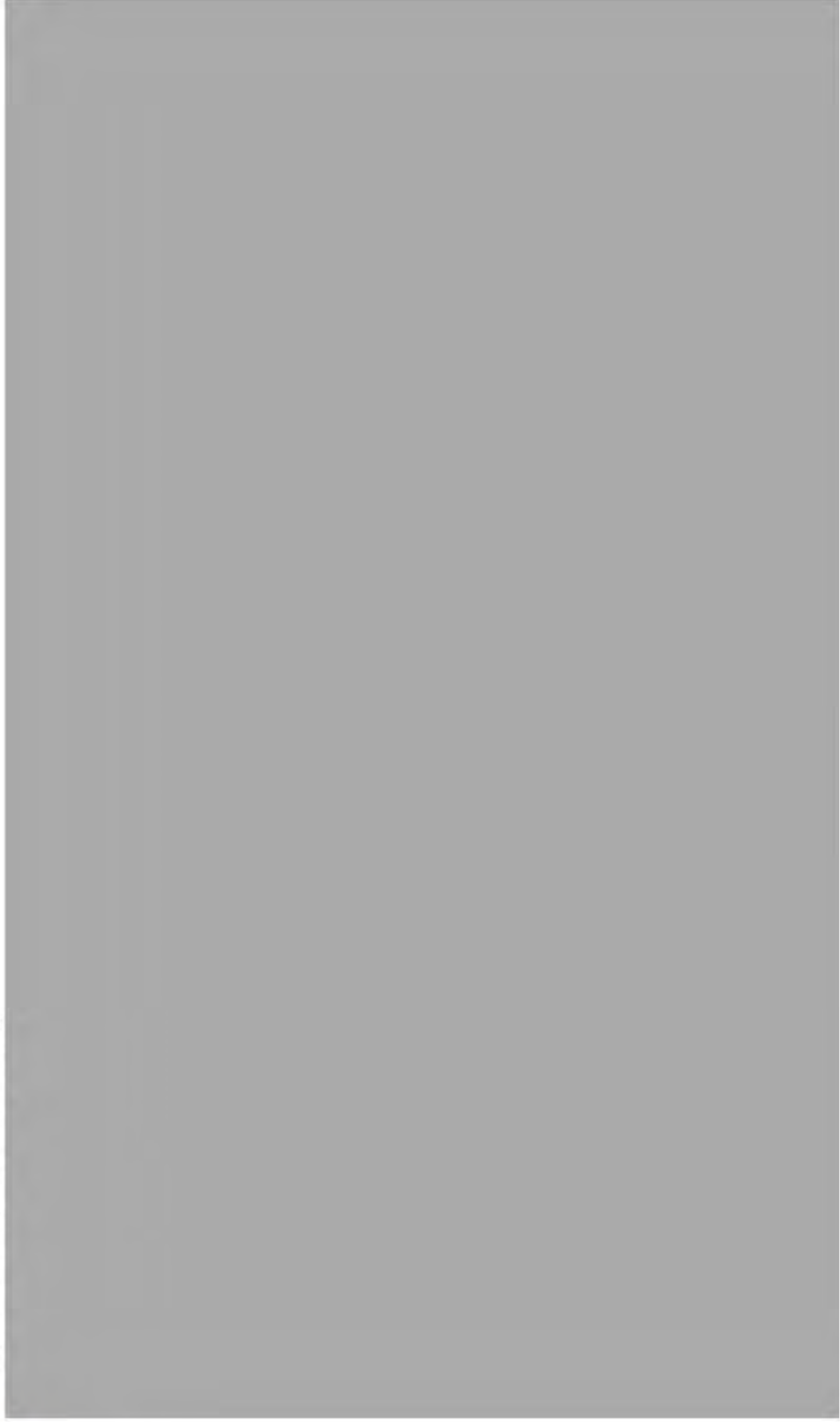


Darren Tan

Core execution team



DARREN TAN
Associate Director, Investment Banking



Yeou-Herng Shaw

Core execution team



YEOU-HERNG SHAW
Associate Director, Investment Banking

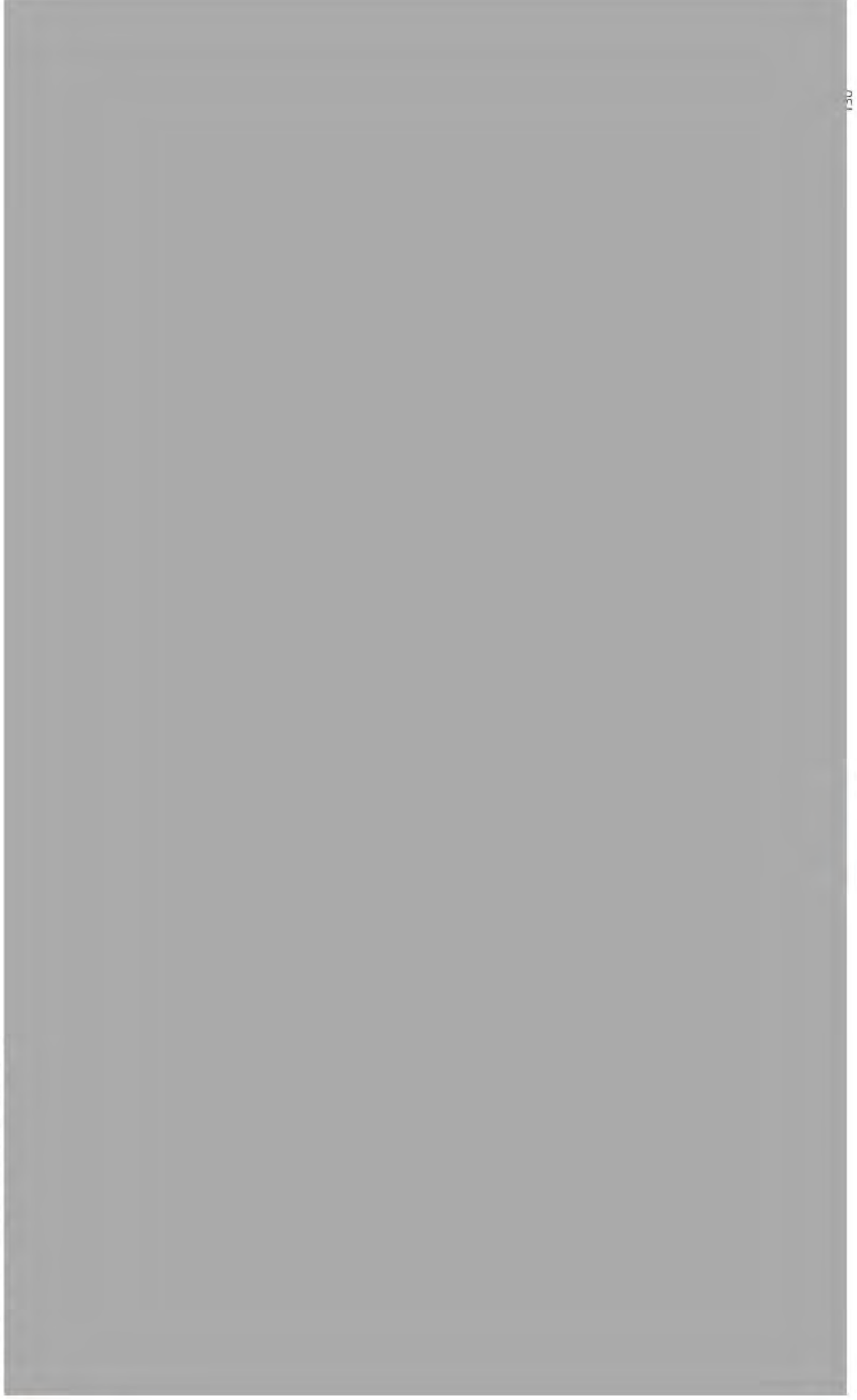


Julian Reddick

Core execution team



JULIAN REDDICK
Associate Director, Investment Banking



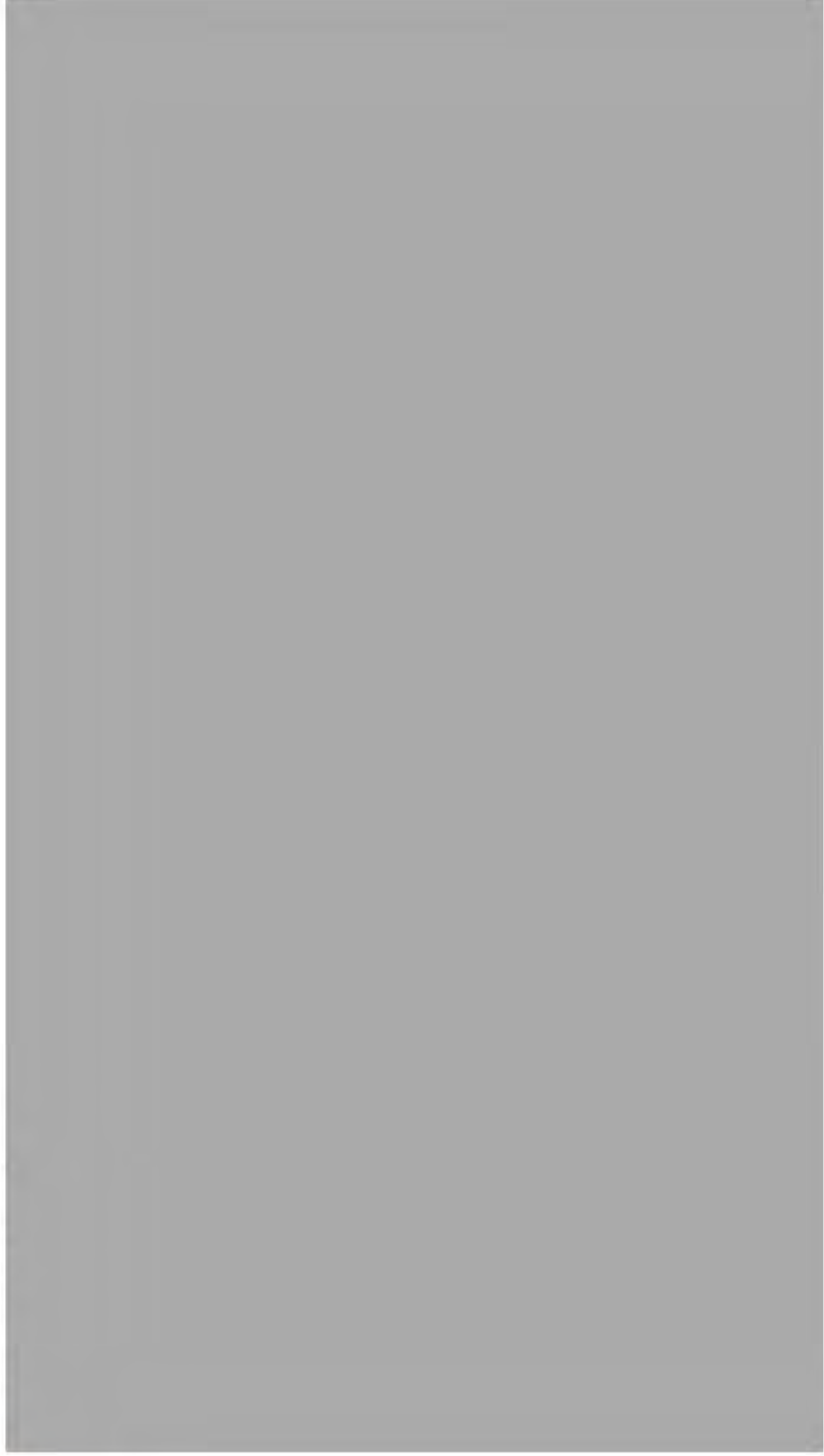
Original

Shashank Ramakrishnan

Core execution team



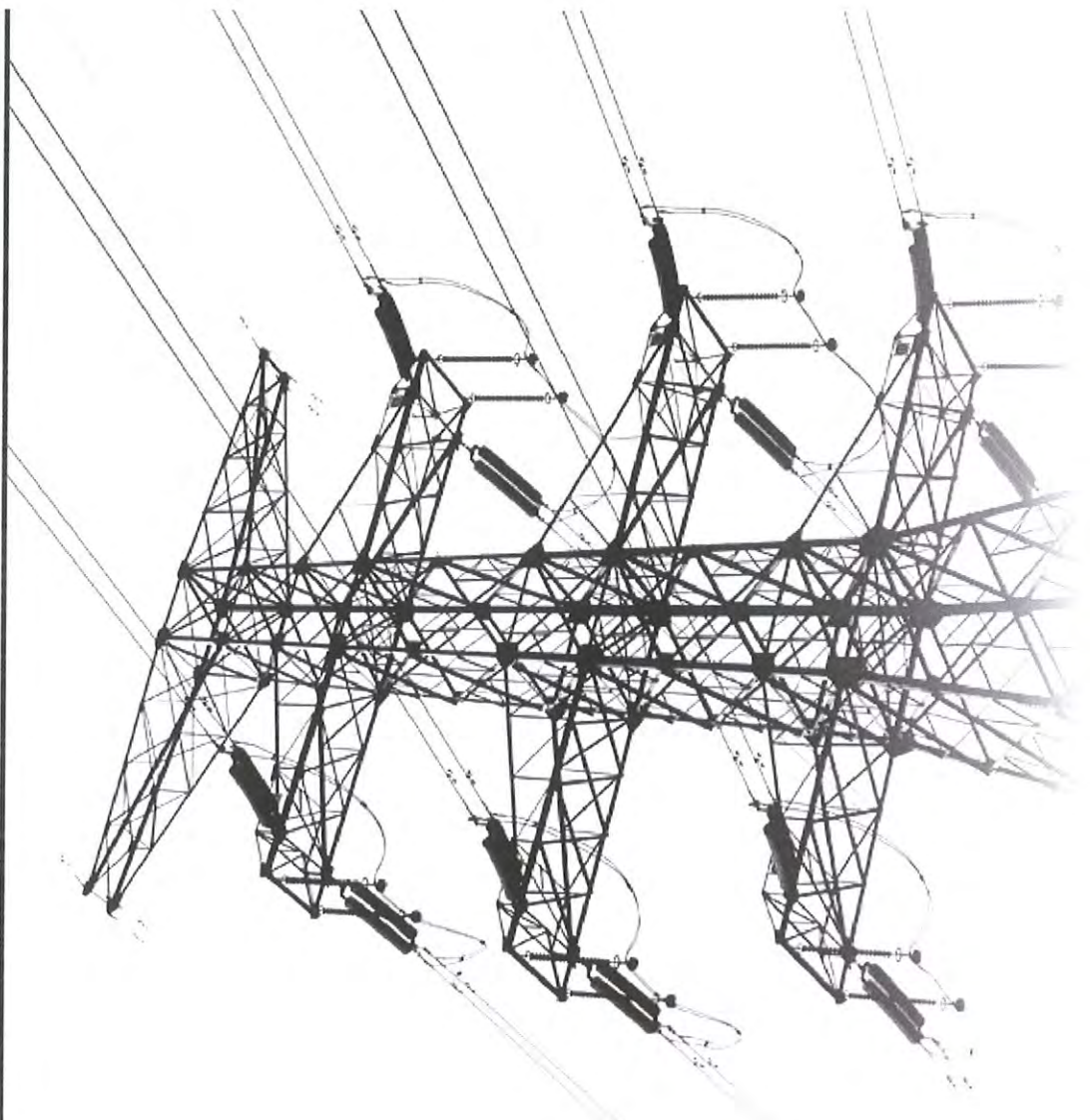
SHASHANK RAMAKRISHNAN
Analyst, Investment Banking



Original

Appendix C

UBS support team CVs

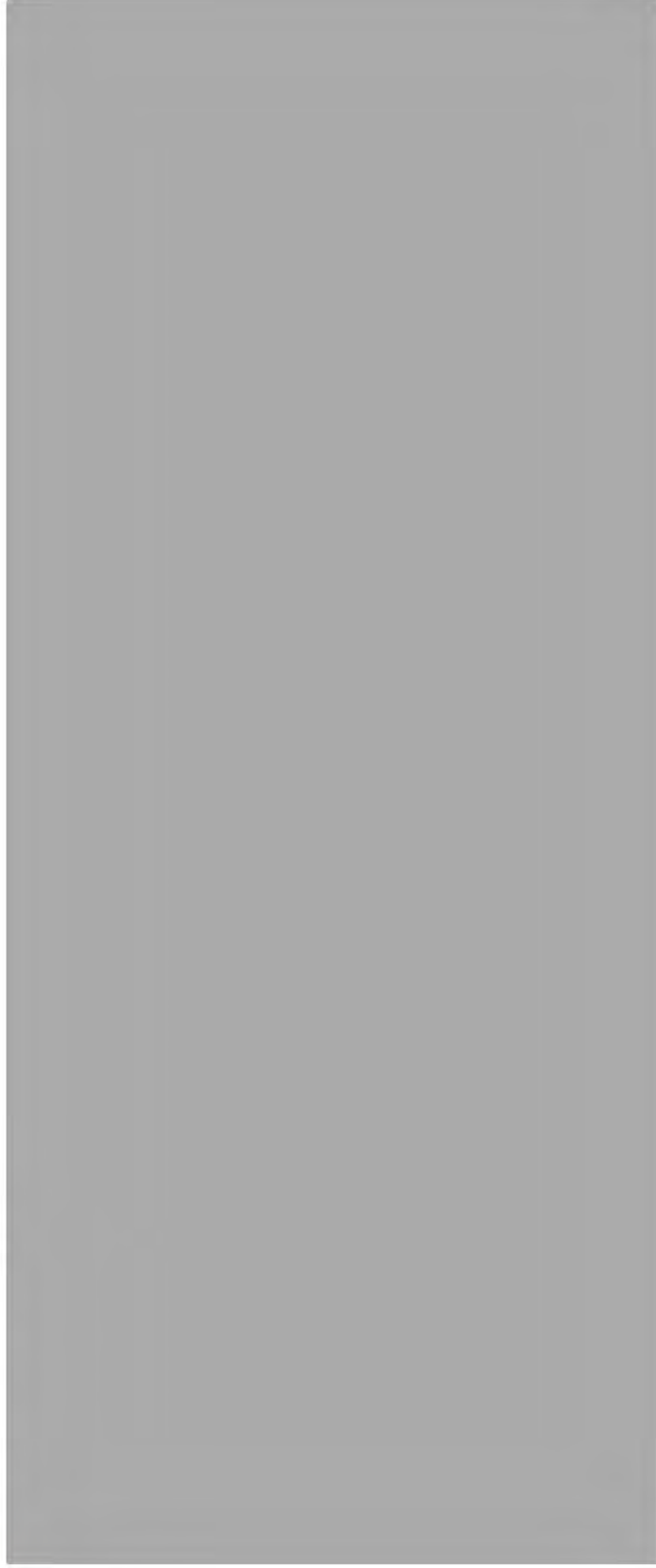


Daniel Wu

Core execution team



DANIEL WU
Analyst, Investment Banking



Stephen Paine

Global PUI coverage



STEPHEN PAINE
Managing Director, Chairman of Power Utilities and Infrastructure worldwide

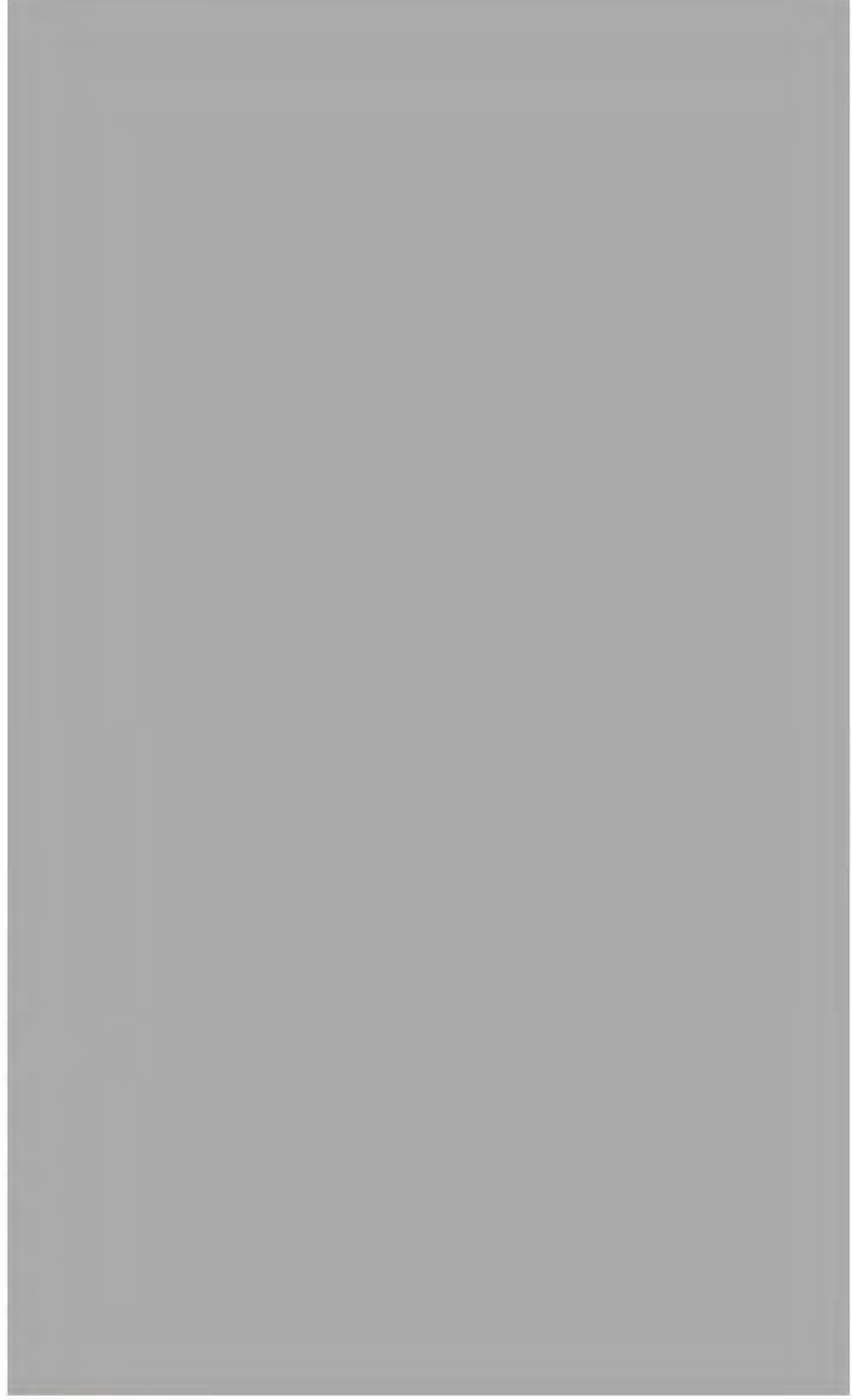


Dane FitzGibbon

Equity Capital
Markets



DANE FITZGIBBON
Managing Director, Co-Head of Capital Markets



Original



SIMON COX
Managing Director, Head of Equity Capital Markets Syndication



Tom Snowball

Equity Capital
Markets



TOM SNOWBALL
Associate Director
Equity Capital Markets

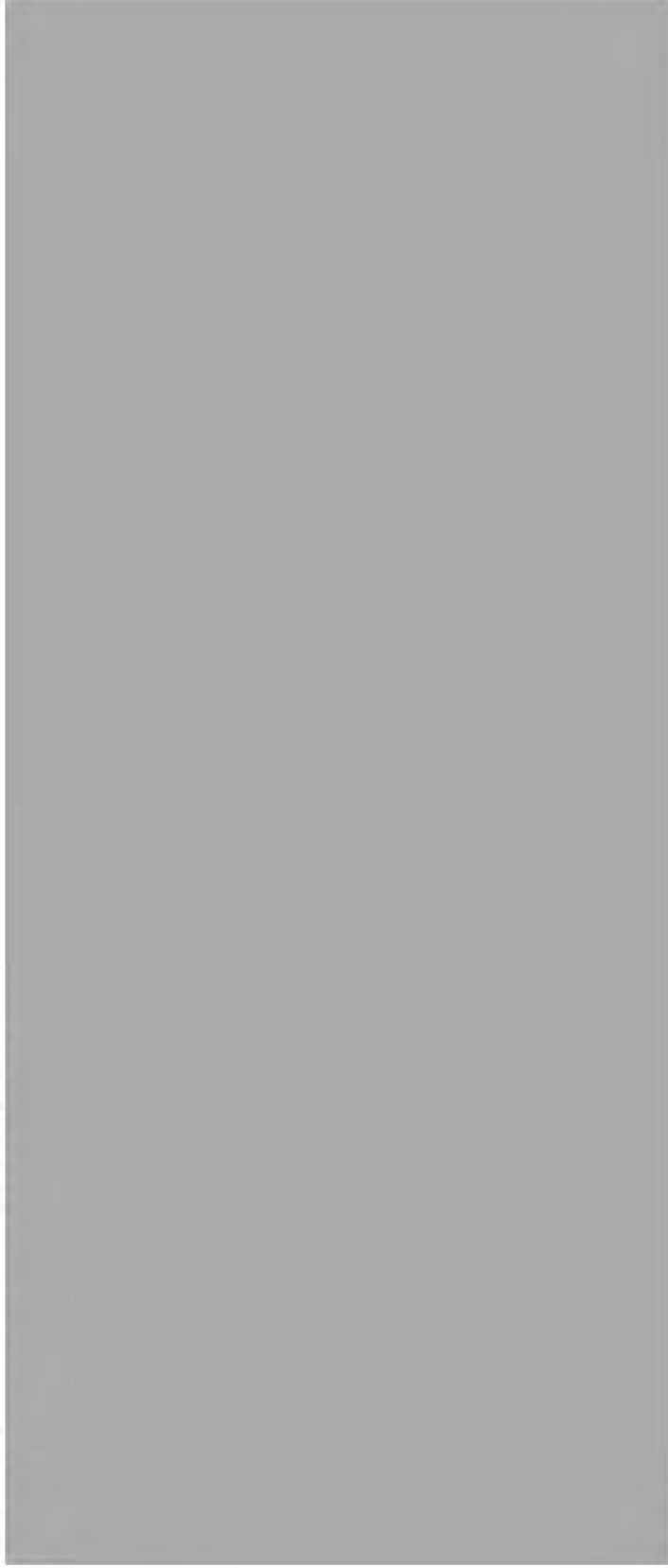


Barry Sharkey

Debt Capital
Markets



BARRY SHARKEY
Managing Director, Co-Head of Capital Markets

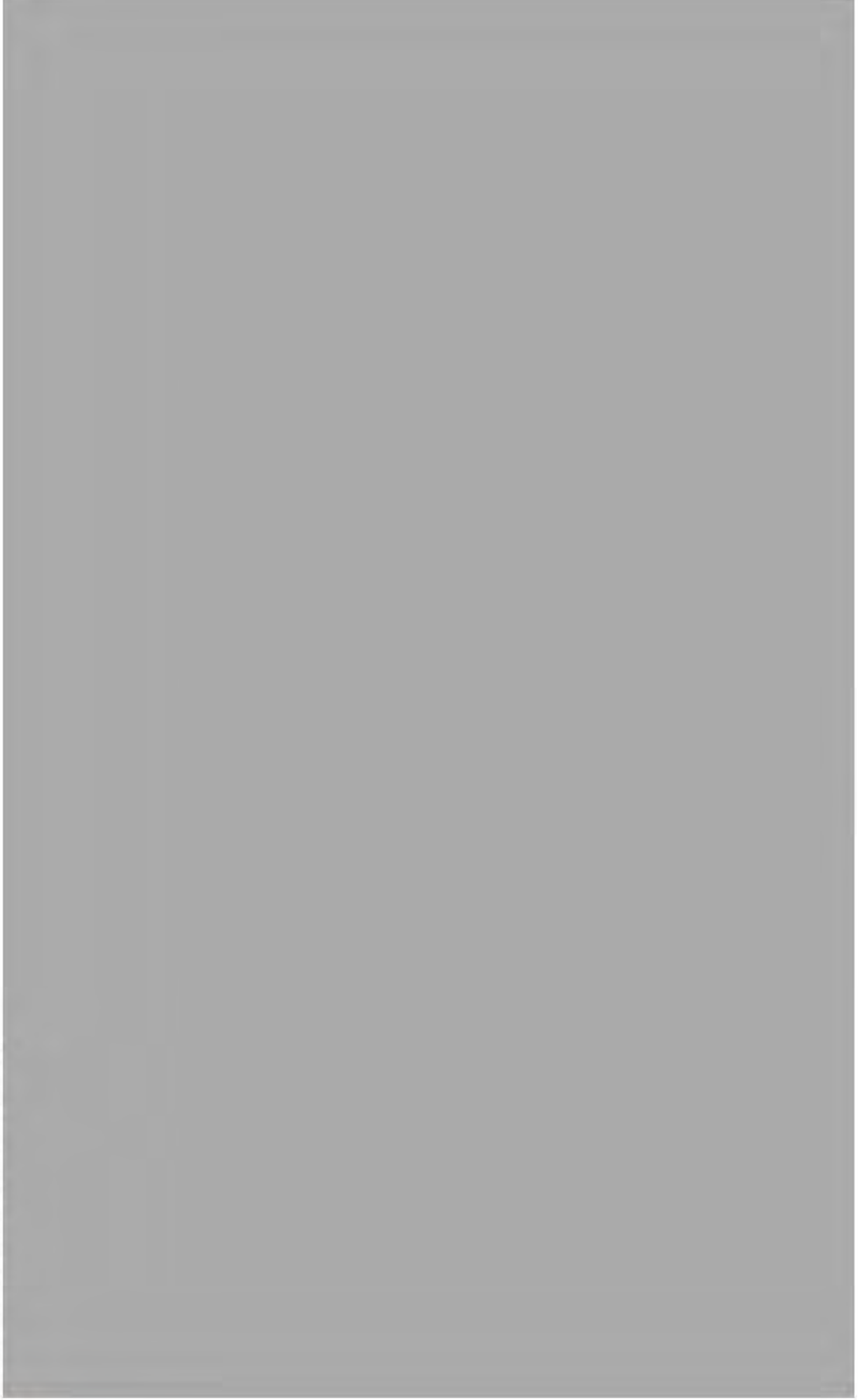


Robert Kirk

Debt advisory



ROBERT KIRK
Senior Adviser, Investment Banking



Original

Vijendra Satkunasingam

Debt advisory



VIJENDRA SATKUNASINGAM
Executive Director



Original

Michael Liu

Ratings advisory



MICHAEL LIU
Executive Director, Head of Capital Management and Ratings Advisory, Investment Banking

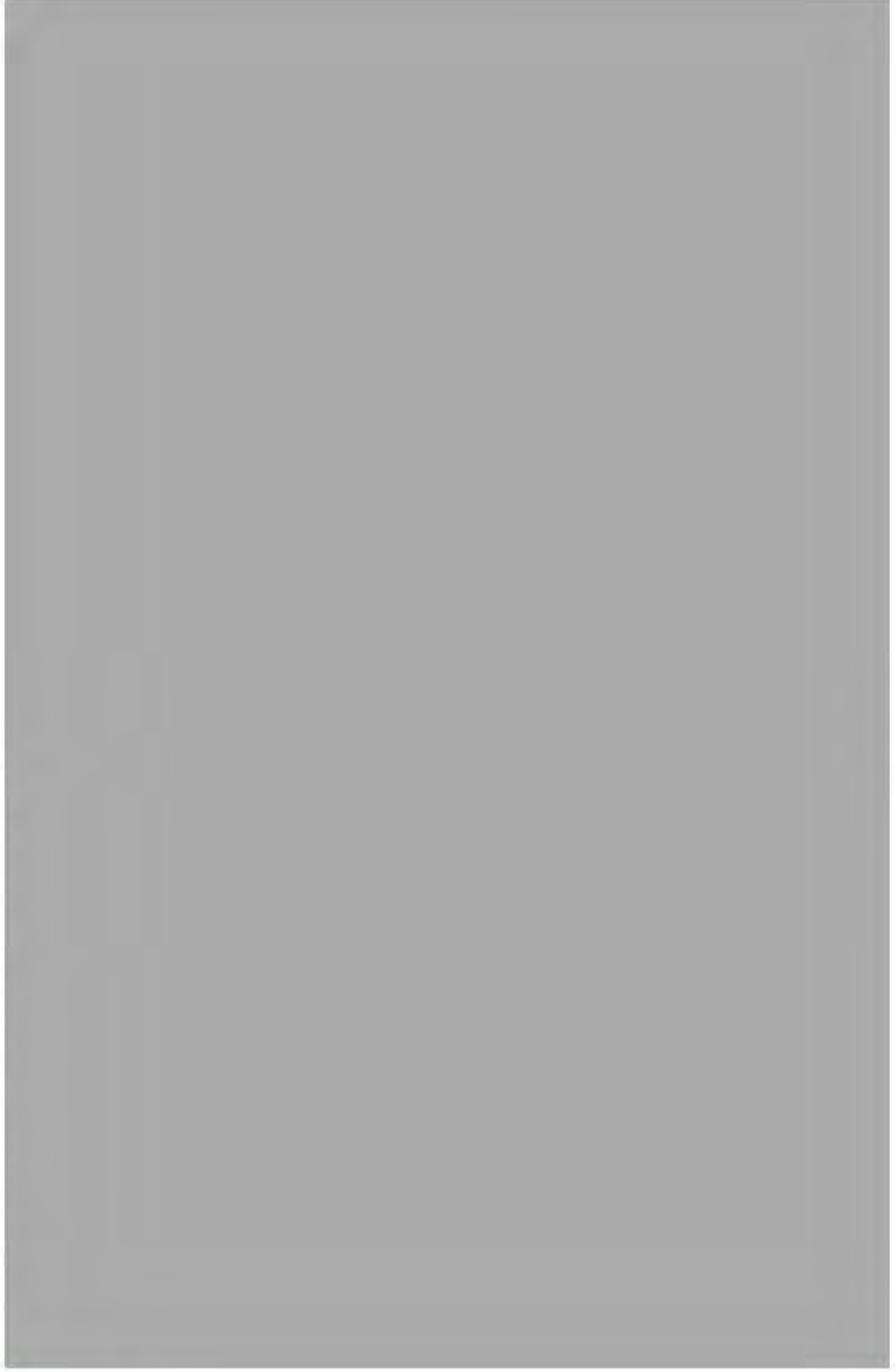


Charlie Daish

Ratings advisory



CHARLIE DAISH
Associate Director, Capital Markets Group, Investment Banking



Original

Peter Kingston

Derivatives and
hedging



PETER KINGSTON
Executive Director, Derivatives - Corporate Client Solutions

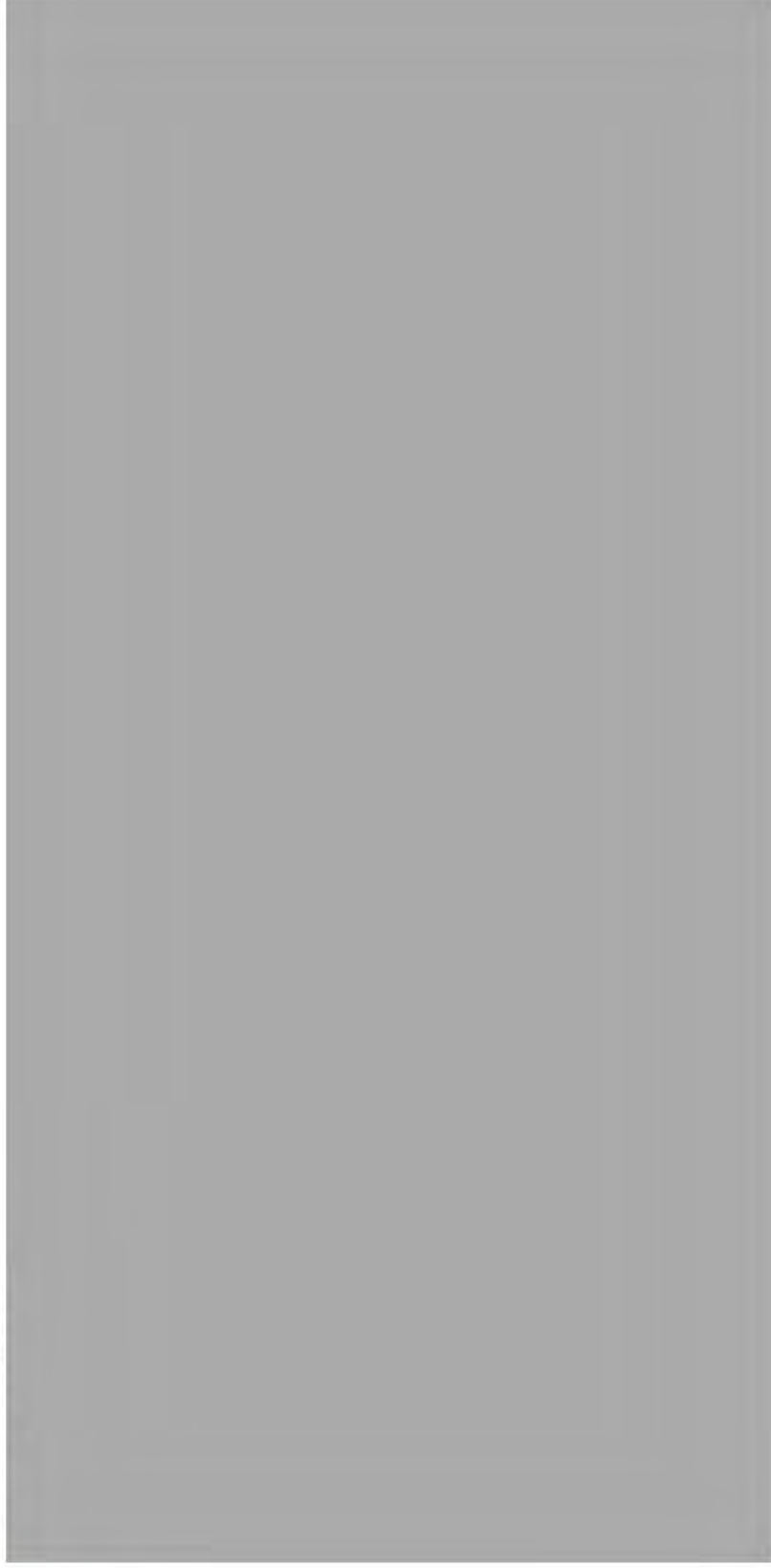


Josephine Napoli

Derivatives and
hedging



JOSEPHINE NAPOLI
Executive Director
Derivative Solutions Group

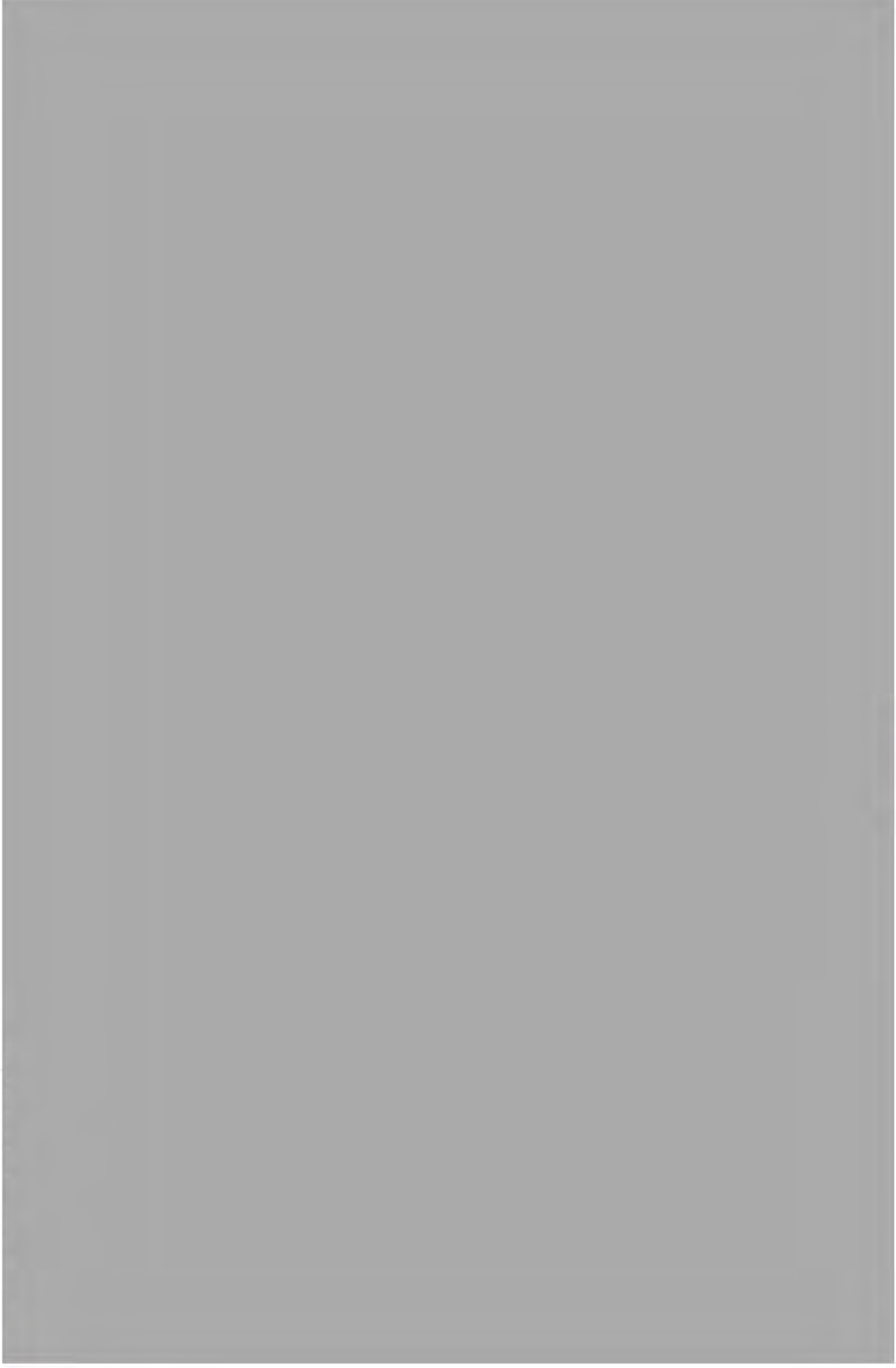


Andrew Buchanan

Tax structuring



ANDREW BUCHANAN
Executive Director, Hybrid Capital



Original

Robert Maher

Government advice

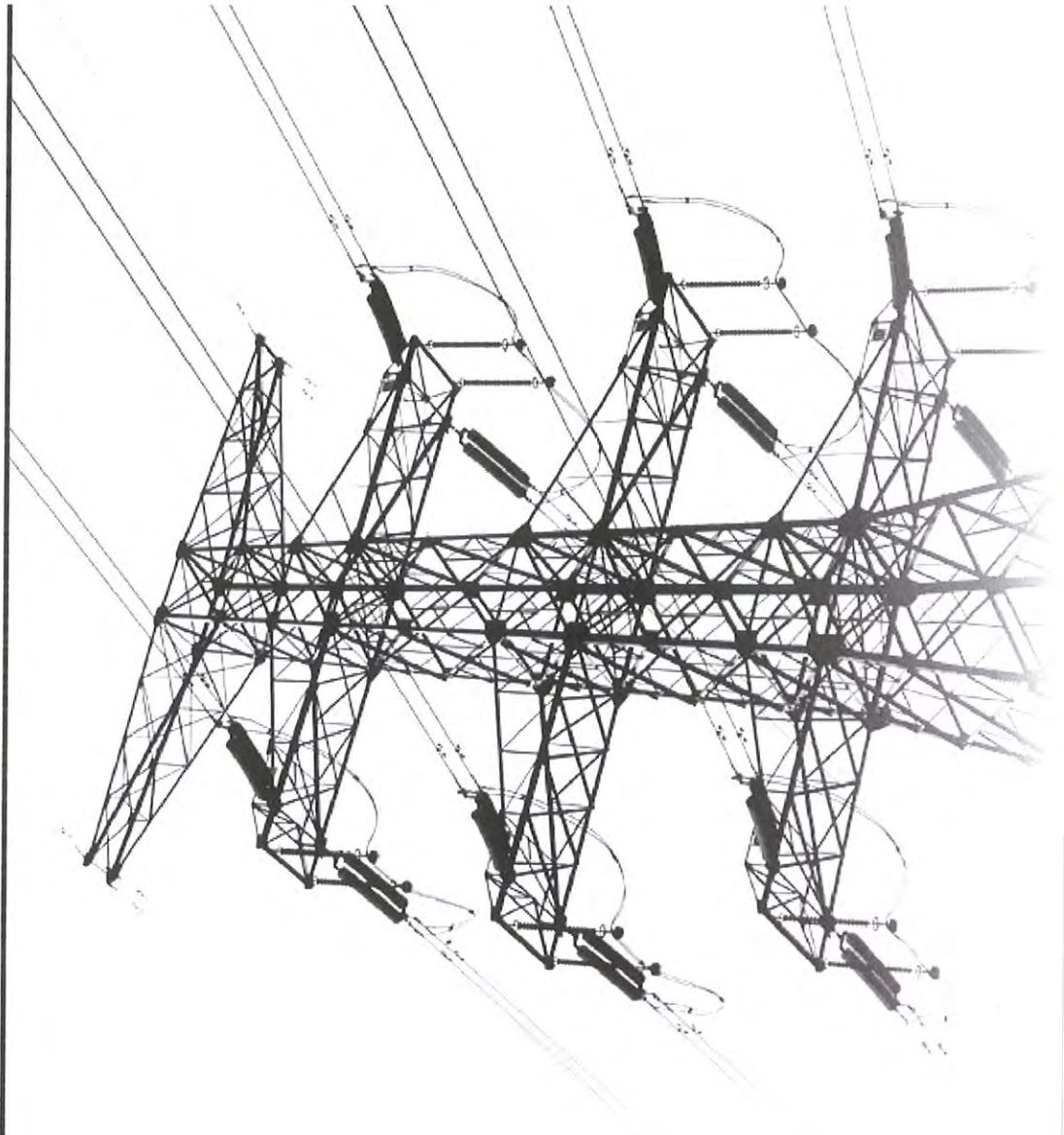


ROBERT MAHER, AM
Senior Adviser

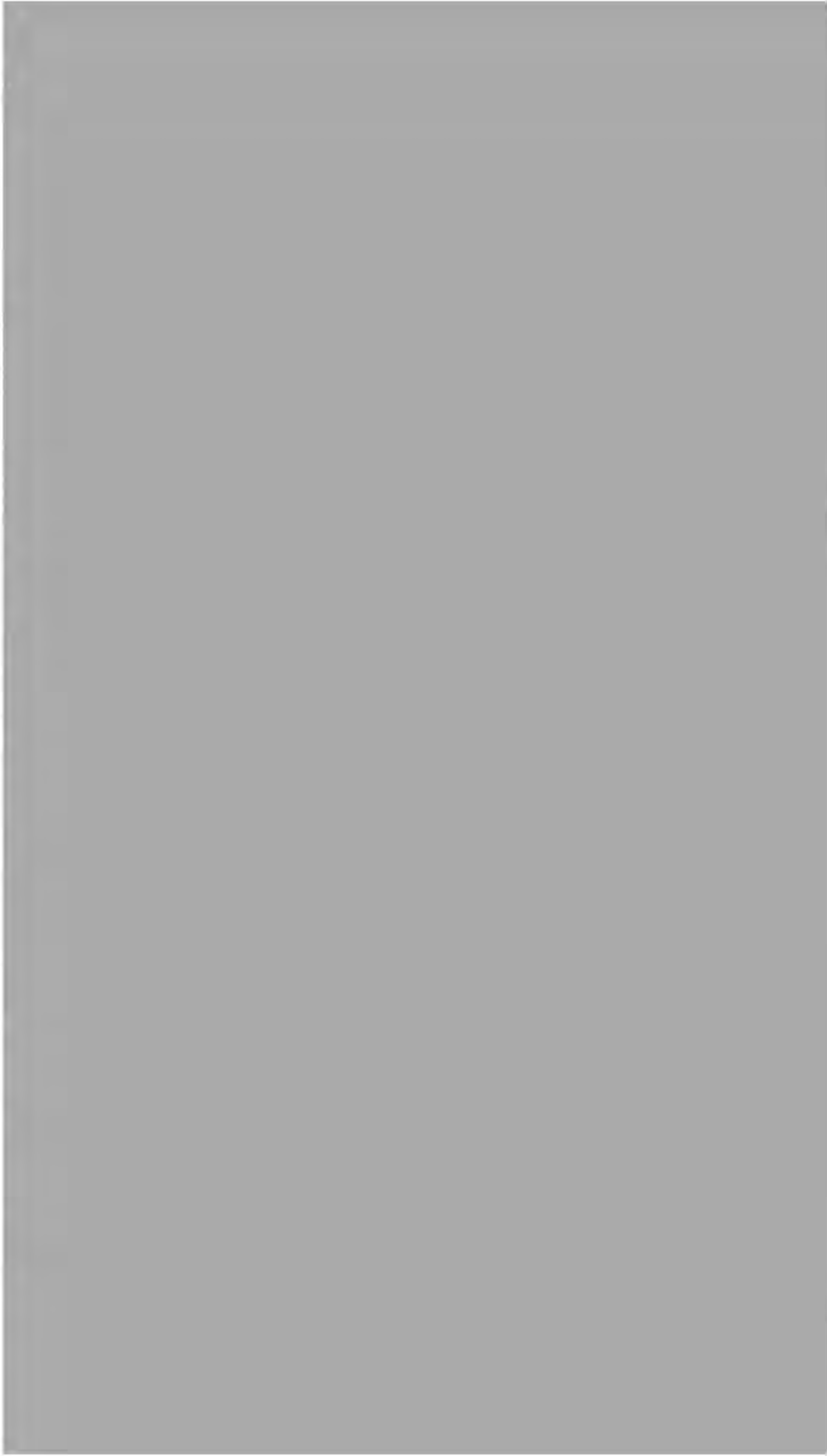


Appendix D

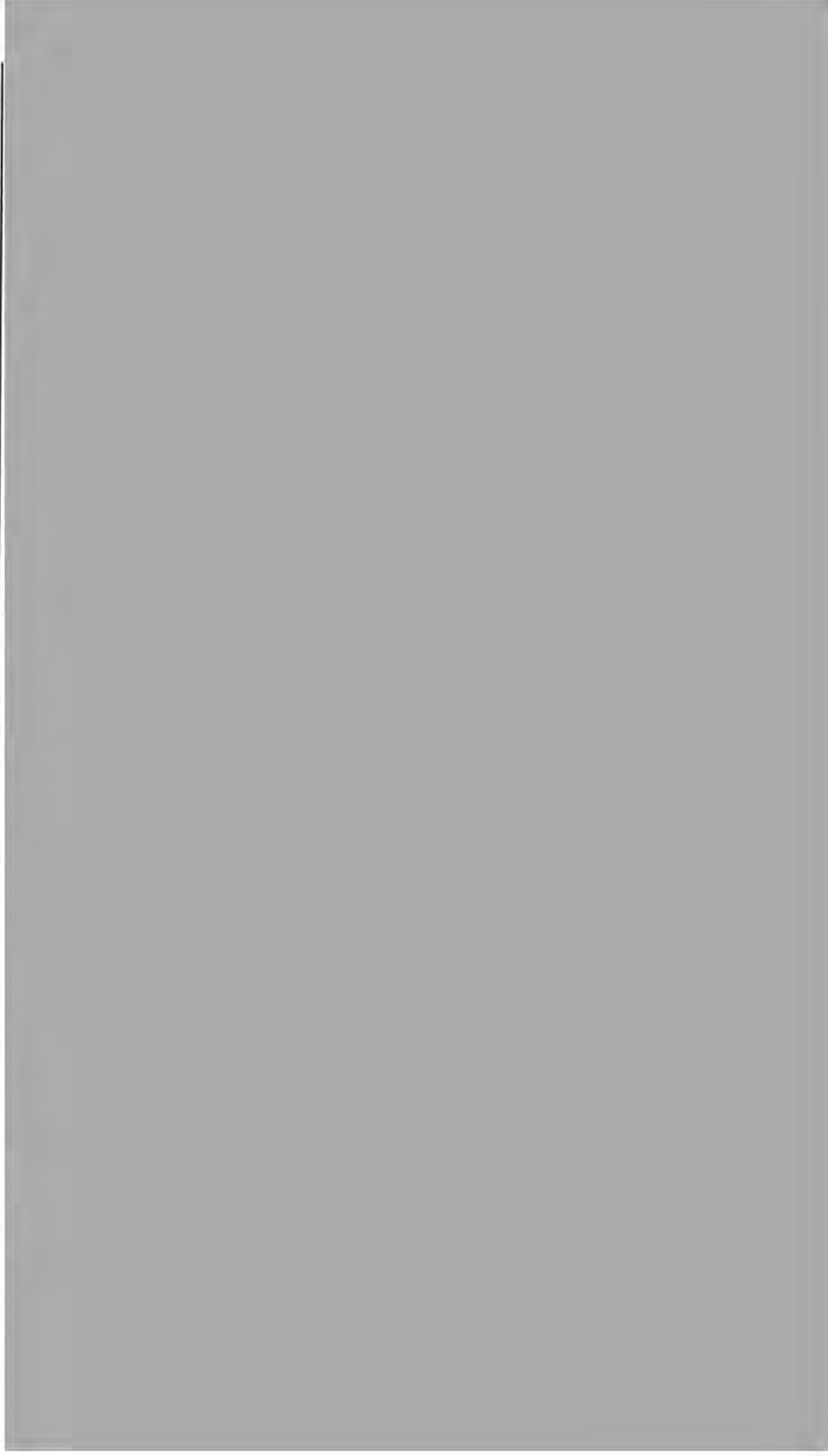
Additional debt market capacity considerations



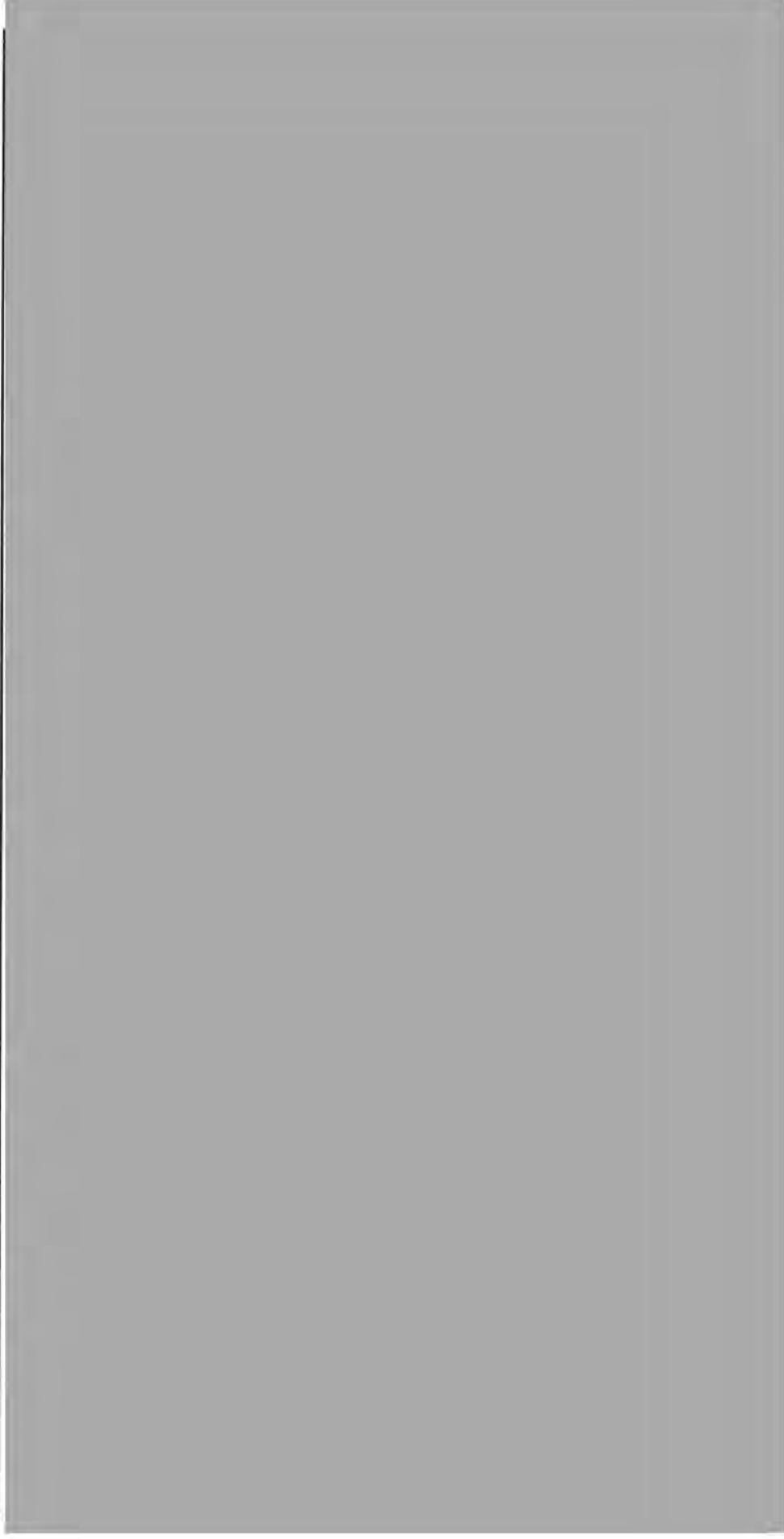
Financing arranged by bidders – bank market capacity



Financing arranged by bidders – bank market capacity

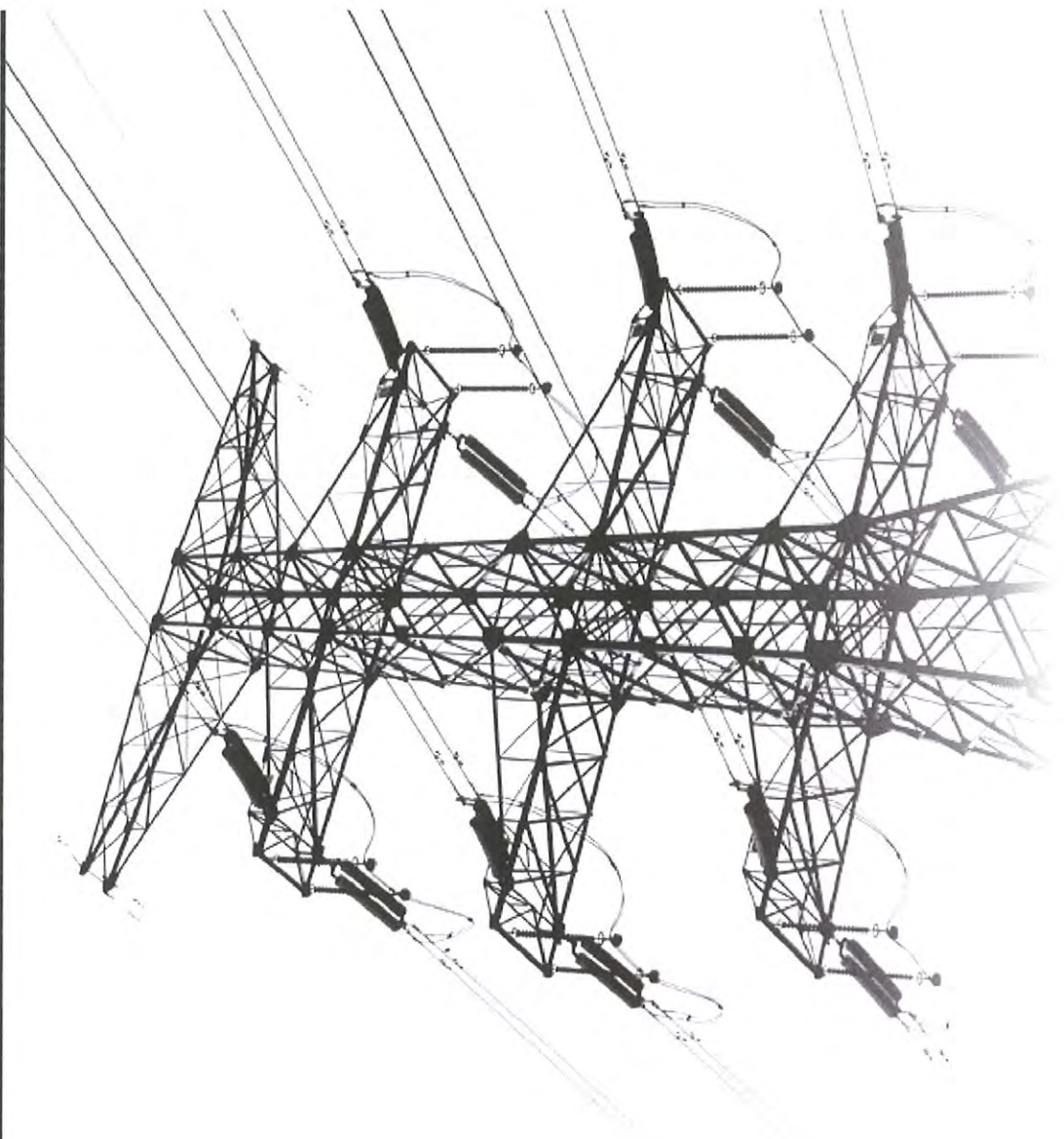


Financing arranged by bidders – bridge market capacity



Appendix E

Rating agencies approach



NSW Electricity Networks have been rated by Moody's previously

[REDACTED]

[REDACTED]

[REDACTED]

How do the agencies approach the regulated utilities sector?

[Redacted]

[Redacted]

S&P corporate rating methodology

Based on S&P's criteria, the NSW Electricity Networks can collectively target a strong investment grade credit rating

Business and financial risk matrix

Business risk profile	Financial risk profile				
	Minimal	Modest	Intermediate	Significant	Aggressive
Excellent	AAA/AA+	AA	A+/A	A-	BBB
Strong	AA/AA-	A+/A	A-/BBB+	BBB	BB+
Satisfactory	A/A-	BBB+	BBB/BBB-	BBB-/BB+	BB-
Fair	BBB/BBB-	BBB-	BB+	BB	BB-
Weak	BB+	BB+	BB	BB-	B+
Vulnerable	BB-	BB-	BB-/B+	B+	B
					CCC+

Commentary

- The S&P matrix which makes explicit the rating outcomes that are typical for various business risk/financial risk combinations
 - the indicated ratings are the midpoint of a range of likely rating possibilities
 - range is ordinarily one notch above and below of indicated
- In addition to FFO/debt and FFO interest coverage, the agencies will look at debt/EBITDA, EBITDA interest coverage, and other cash flow generation metrics
- Post-privatisation the NSW Electricity Networks should have credit metrics that allow it to target stand-alone investment grade credit ratings
- Final ratings will depend on S&P's comfort with the combined group's business risk post-privatisation and an assessment of the remaining linkage to the NSW Government

Indicative ratios for financial risk indicators (assuming low volatility assessment)

FFO/debt (%)	>35	23-35	13-23	9-13	6-9	<6
Debt/EBITDA (x)	<2	2-3	3-4	4-5	5-6	>6
FFO ICR (x)	>8	5-8	3-5	2-3	1.5-2	<1.5
EBITDA ICR (x)	>13	7-13	4-7	2.5-4	1.5-2.5	<1.5

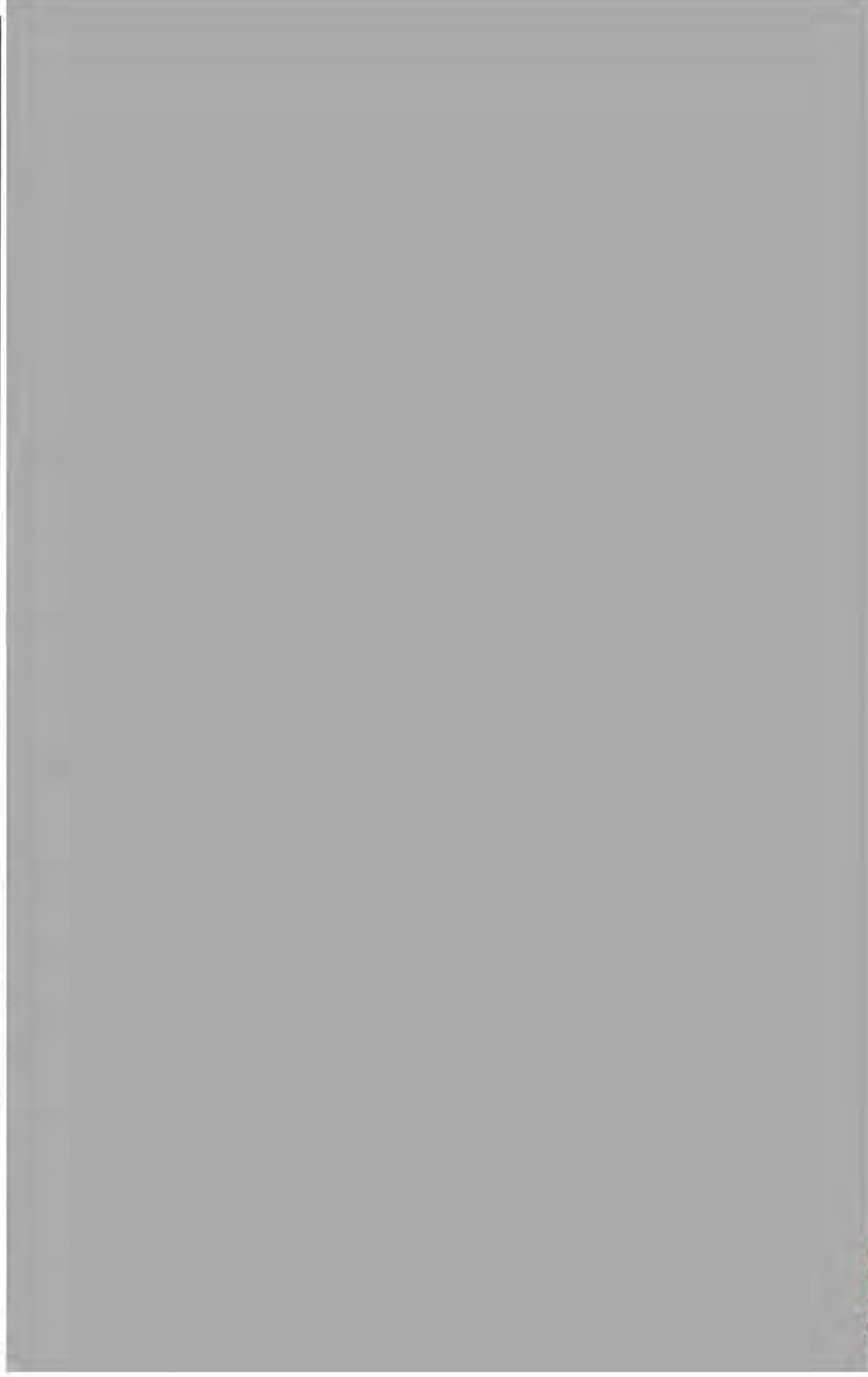
Source: S&P

NSW Networks rating expectations



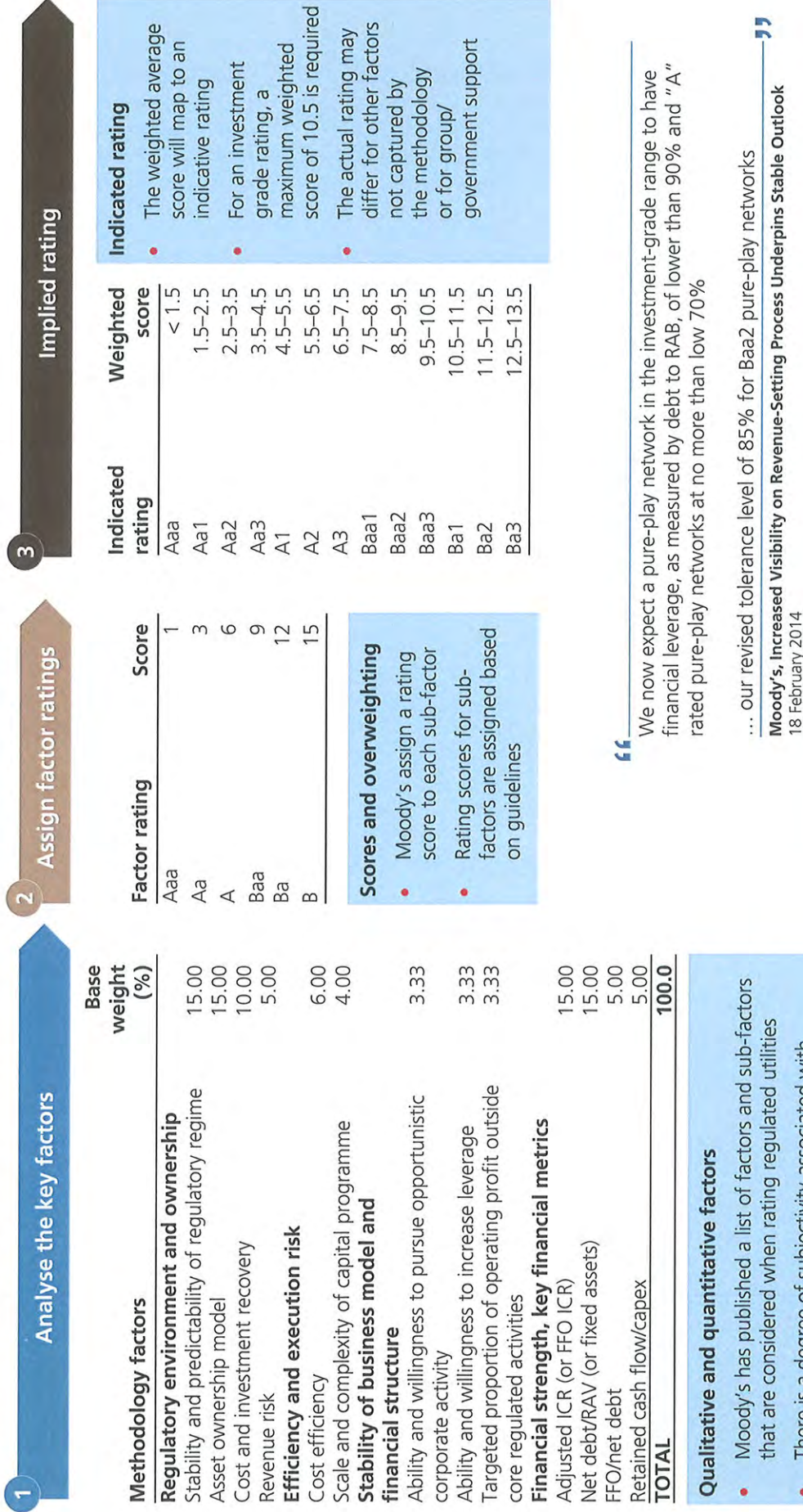
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How does S&P approach government related entities?



Moody's corporate rating methodology

There are three key stages involved in estimating an implied rating using Moody's methodology



“

We now expect a pure-play network in the investment-grade range to have financial leverage, as measured by debt to RAB, of lower than 90% and “A” rated pure-play networks at no more than low 70%

... our revised tolerance level of 85% for Baa2 pure-play networks

Moody's, Increased Visibility on Revenue-Setting Process Underpins Stable Outlook
18 February 2014

... however the methodology outputs are not binding on Moody's and actual ratings often differ



Moody's corporate rating methodology for regulated T&D assets

Moody's rates many regulated gas and electricity distribution assets in Australia—the NSW Electricity Networks assets should achieve Baa2 to Baa1 ratings with debt/regulated asset value of 75%

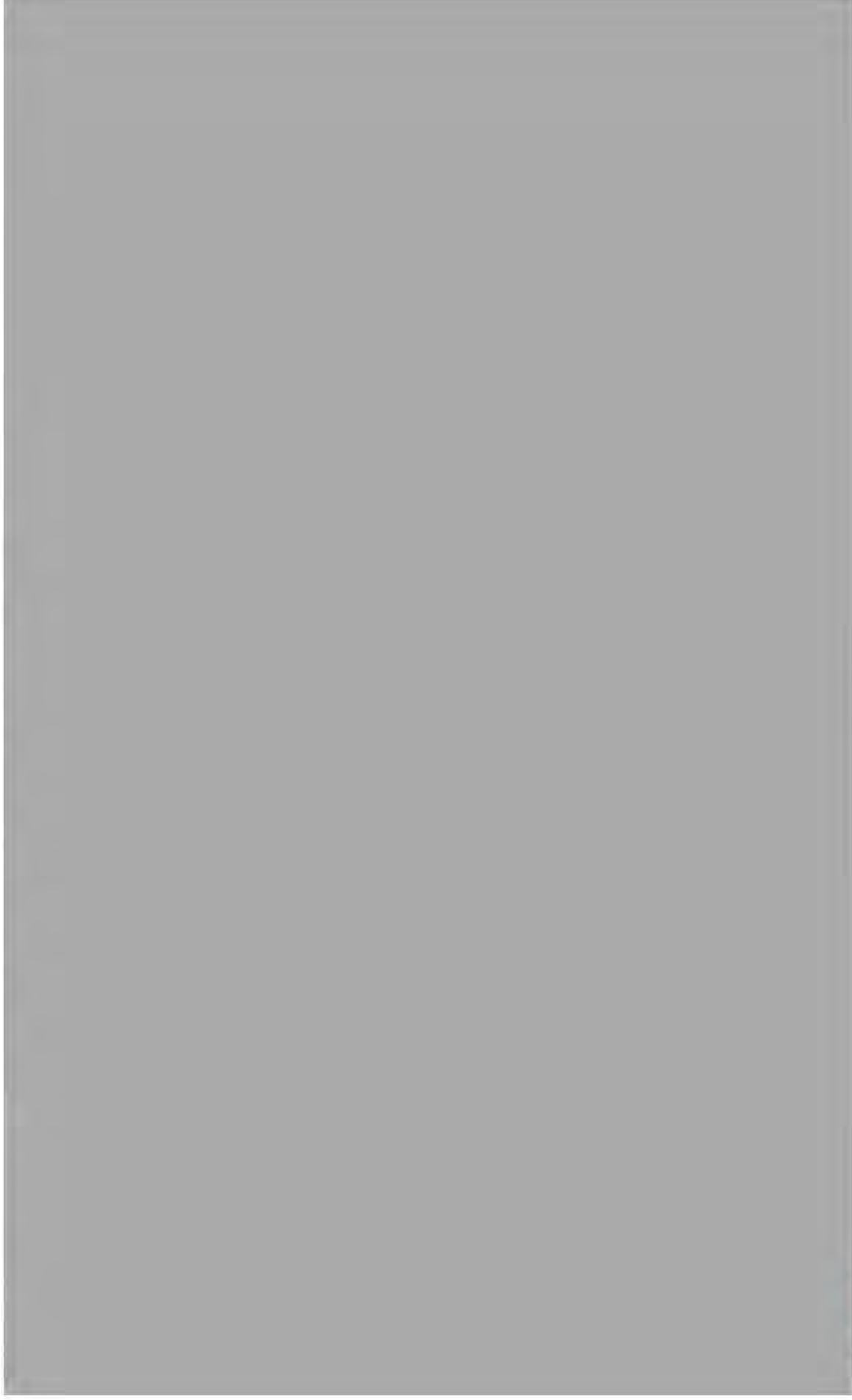
Methodology factors	Recent Moody's methodology scoring disclosed for peers ¹										Preliminary estimate (75% RAB)				
	SA Power Networks					Energy Partnerships									
	(%)	As at	Dec-12	Jun-13	Jun-13	Powercor	UED	Jun-13	Jun-13	Envestra	ATCO Gas	Jun-13	TransGrid	AusGrid	Endeavour
Regulatory environment and ownership															
Stability and predictability of regulatory regime	15.00	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Asset ownership model	15.00	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa	Aa
Cost and investment recovery	10.00	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Revenue risk	5.00	A	Aa	Aa	Aa	Aa	A	A	A	A	A	A	A	A	A
Efficiency and execution risk															
Cost efficiency	6.00	Aaa	Aaa	Aaa	Aaa	Aaa	Aa	Aa	Aa	Aaa	Aa	A	Baa	A	A
Scale and complexity of capital programme	4.00	Ba	Baa	Baa	Baa	Baa	Ba	Ba	Aa	Baa	A	A ²	A ²	A ²	A ²
Stability of business model and financial structure															
Ability and willingness to pursue opportunistic corporate activity	3.33	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Ability and willingness to increase leverage	3.33	Baa	Baa	Baa	Baa	Baa	Baa	Baa	Baa	A	Baa	Baa	Baa	Baa	Baa
Targeted proportion of operating profit outside core regulated activities	3.33	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Financial strength, key financial metrics															
Adjusted ICR (or FFO ICR)	15.00	Baa	Baa	Baa	Baa	Baa	Ba	Ba	Ba	Baa	Ba	Ba	Ba	Ba	Ba
Net debt/RAB (or fixed assets)	15.00	N/D	Baa	Baa	Baa	Baa	B	Ba	Ba	Baa	B	Ba	Ba	Ba	Ba
FFO/net debt	5.0	A	A	A	A	A	Baa	Baa	Baa	Baa	Ba	Ba	Ba	Ba	Ba
Retained cash flow/capex	5.00	B	Ba	Ba	Ba	Ba	B	Ba	Ba	Ba	B	B	B	B	B
Implied rating	100.0	Baa1	A2	A2	A2	Baa3	Baa3	Baa1	A3	Baa2	Baa3	Baa1	Baa1	Baa1	Baa1
Actual rating		A3	Baa1	Baa1	Baa2	Baa2	Baa2	Baa2	Baa2	Baa2	Baa3	NR	NR	NR	NR

Source: Moody's, UBS preliminary estimate



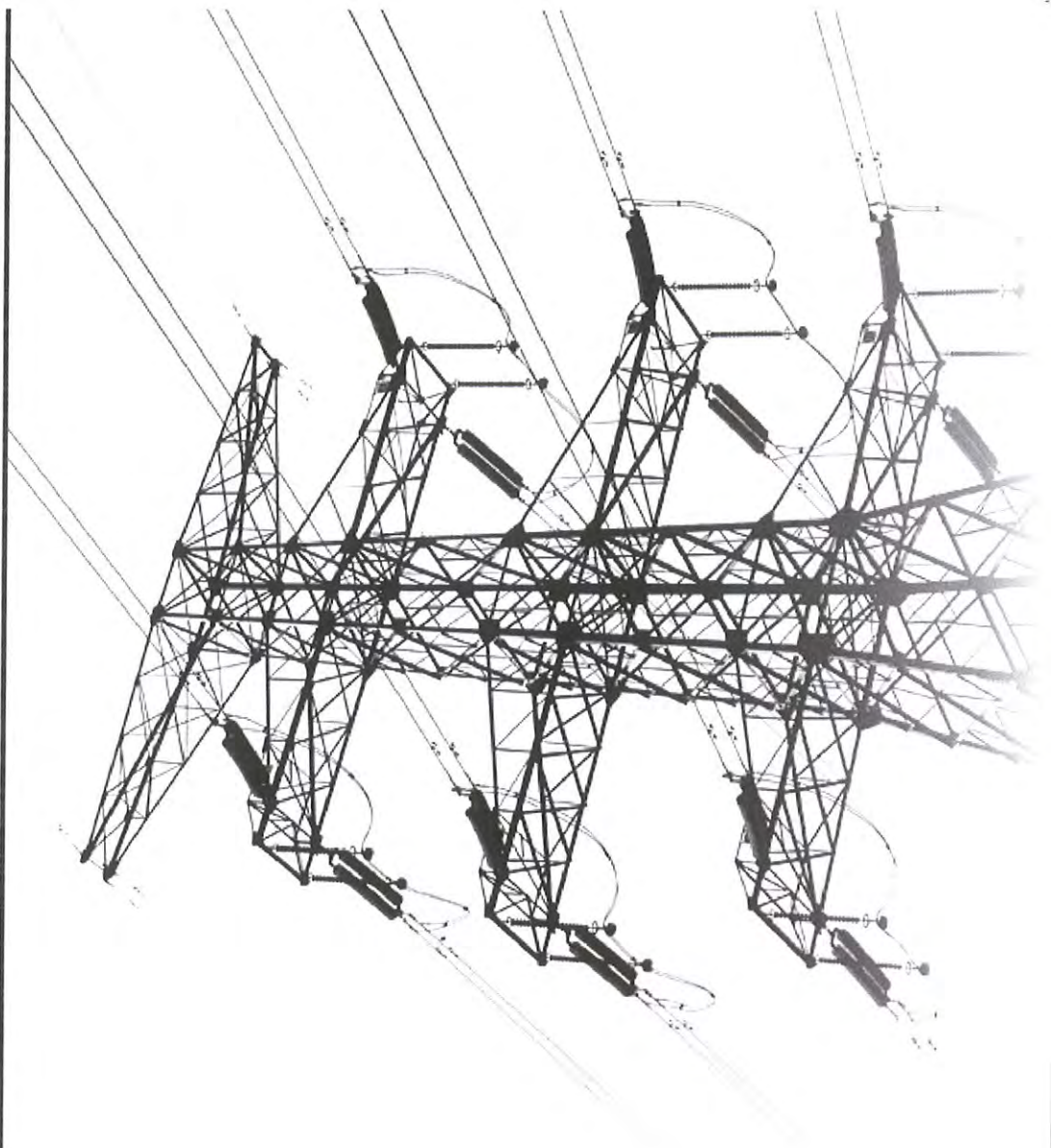
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Understanding the key stages of the ratings process

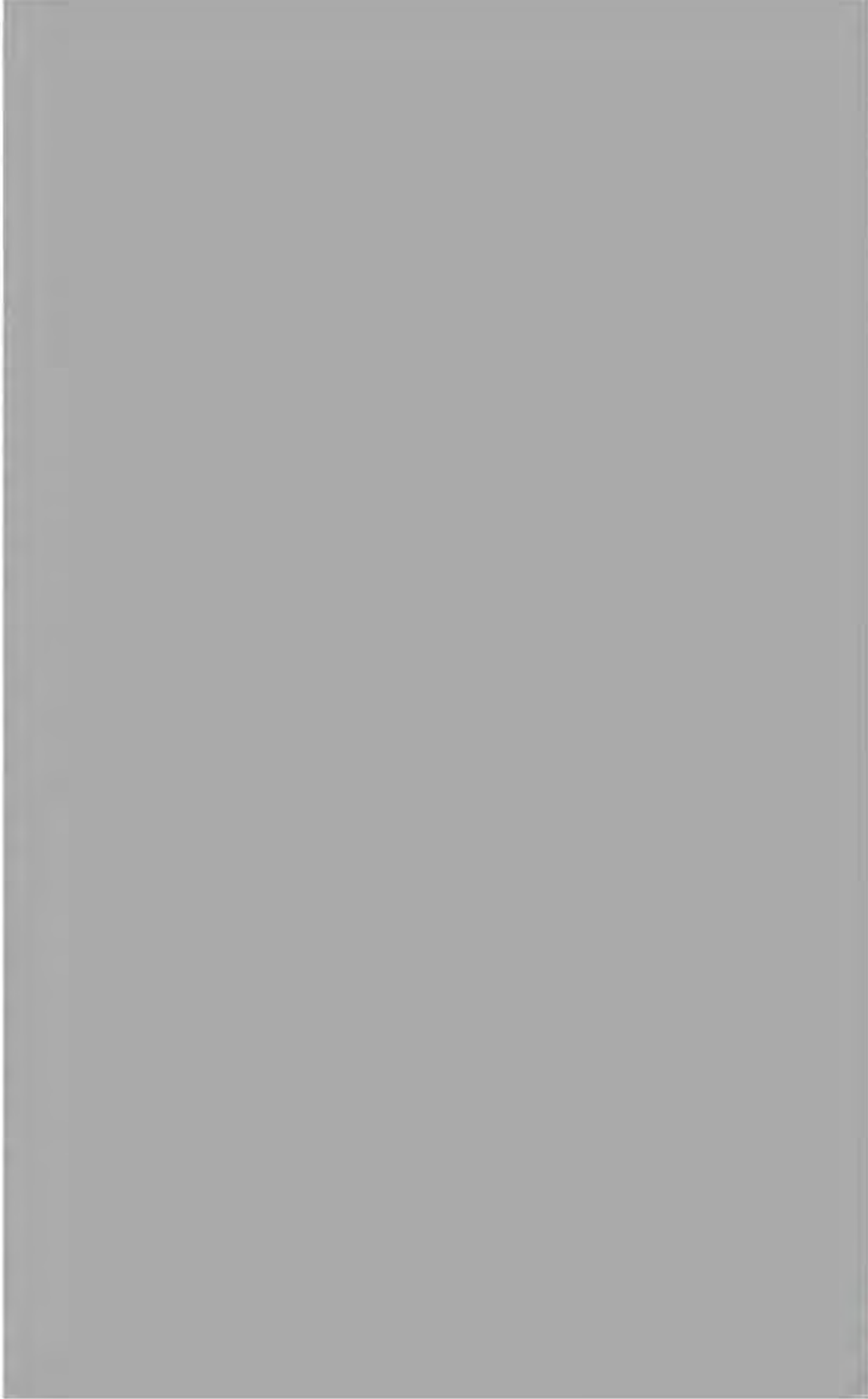


Appendix F

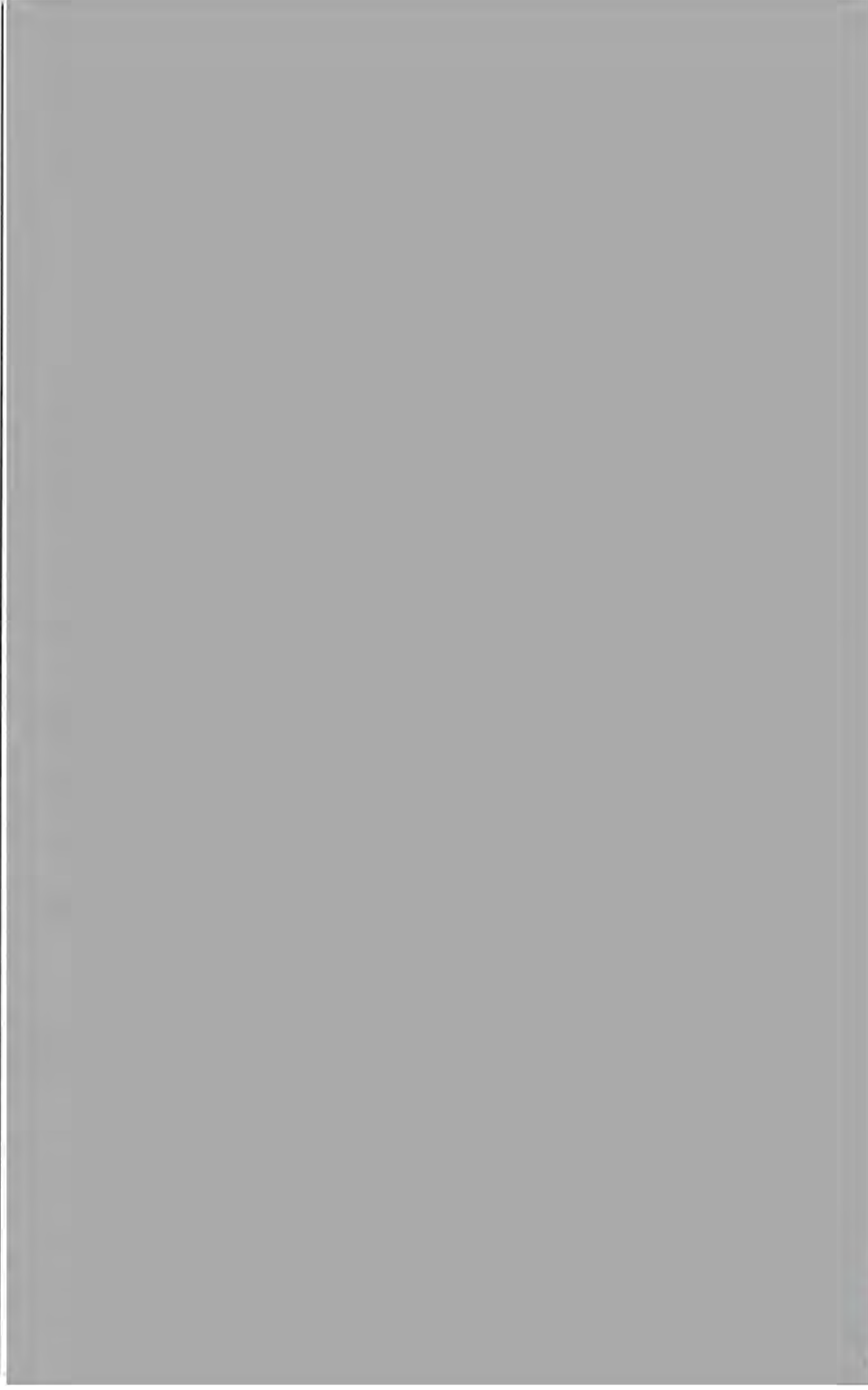
IPO considerations



How to drive volume in an IPO—institutional shareholders

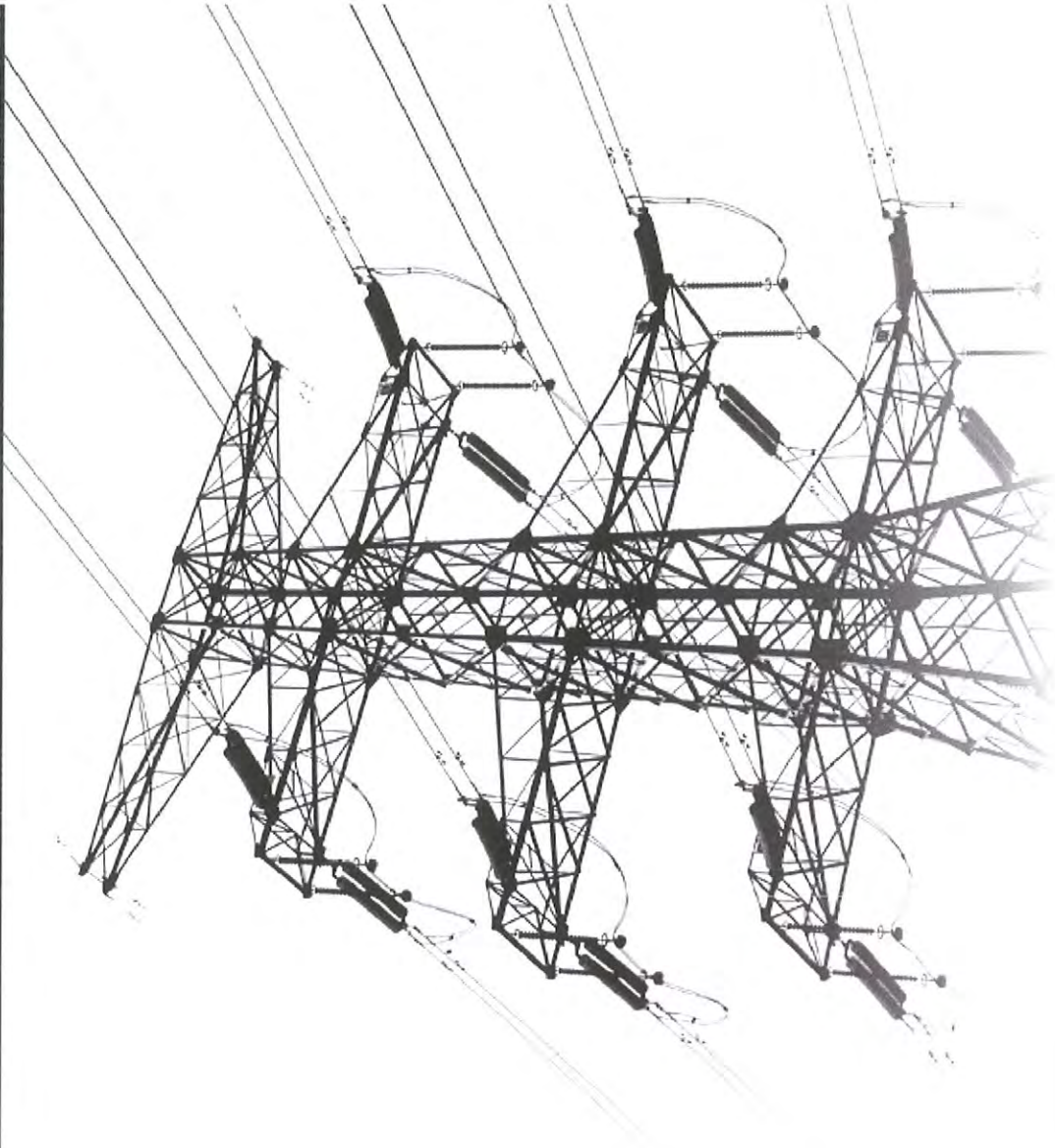


How to drive volume in an IPO – retail shareholders



Appendix G

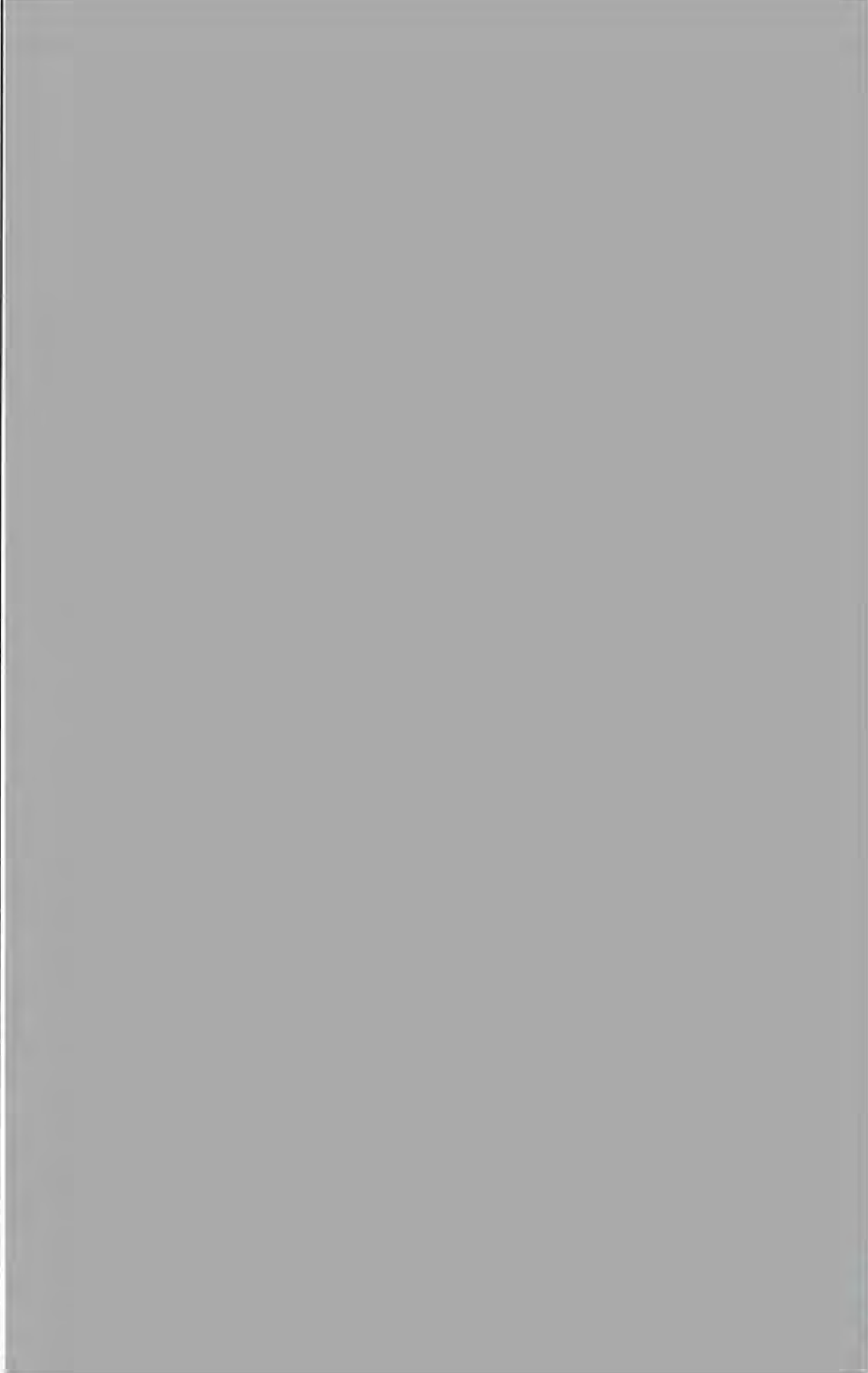
Hybrid funding considerations



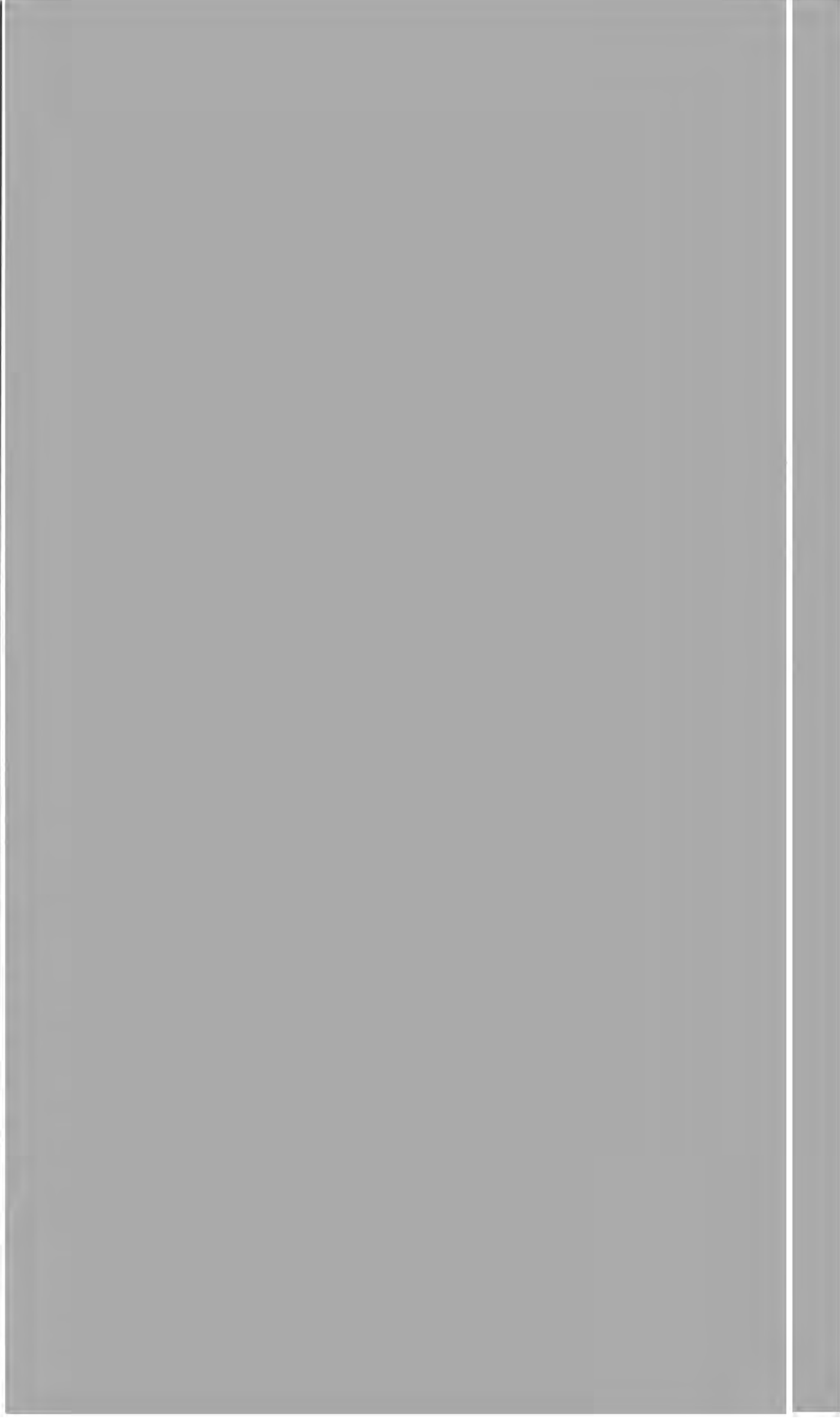
Hybrids – structure overview



Hybrids – rating agency considerations



Hybrid markets are wide open



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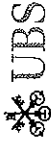
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Sydney, NSW 2001

www.ubs.com

STRICTLY PRIVATE AND CONFIDENTIAL

NSW Treasury
Level 7
17 Castlereagh Street
Sydney, NSW 2000
Australia

25 June 2014

Dear Sir/ Madam,

[Redacted]

[Redacted]

RECEIVED
BY: [Signature]



Introduction

The proposed lease of the NSW Electricity Networks represents the #1 priority transaction for UBS. This proposal highlights our in depth understanding of the issues specific to the lease and our experience in being able to execute this landmark transaction

- UBS is delighted to submit this proposal to act as Financial Adviser to New South Wales Treasury ("Treasury") in relation to the detailed scoping of, and subject to further decisions of the New South Wales Government, subsequent long term lease of 49% of the New South Wales Electricity Networks (the "Transaction")
- The UBS proposal comprises two volumes:

Volume I

Preliminary assessment of NSW Electricity Networks monetisation considerations

This volume demonstrates our in depth understanding of the key issues associated with the potential Transaction, including an assessment of:

- Current market conditions
- Regulatory considerations
- Asset readiness and performance benchmarking of the individual NSW Electricity Networks assets
- Capital structure considerations
- Monetisation options (assets, stakes to be leased, monetisation strategy and sequencing / timetable)
- Market appetite and potential investors
- Tax structuring considerations

Volume II

Further responses to the RFP Evaluation Criteria

This volume provides further responses to the Evaluation Criteria not otherwise addressed in Volume 1, including:

- UBS' proven credentials, capabilities and execution track record
- The UBS team dedicated full time to the project
- Proven execution and approach to project management for Government sell side processes
- Demonstrated ability to work with the State and other advisers
- No conflict confirmation and proposed fees
- Additional supporting materials



*UBS requests that both Volume I and Volume II be considered in assessing our proposal
Together, both volumes demonstrate the breadth of our capabilities and credentials relating to Government sell side processes as well as specialist knowledge in relation to the power, utilities and infrastructure sector*

Original

Table of contents

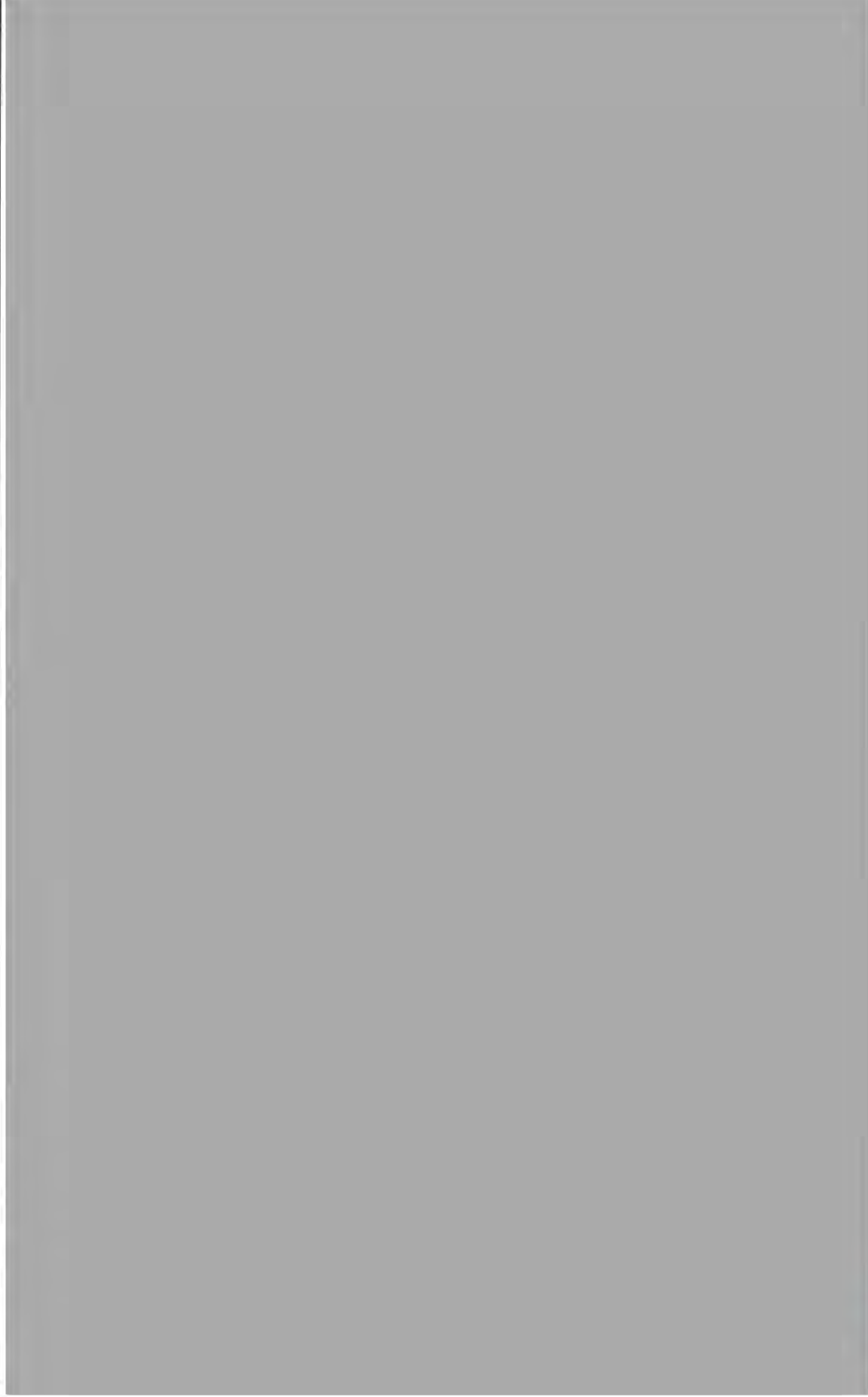


Table of contents

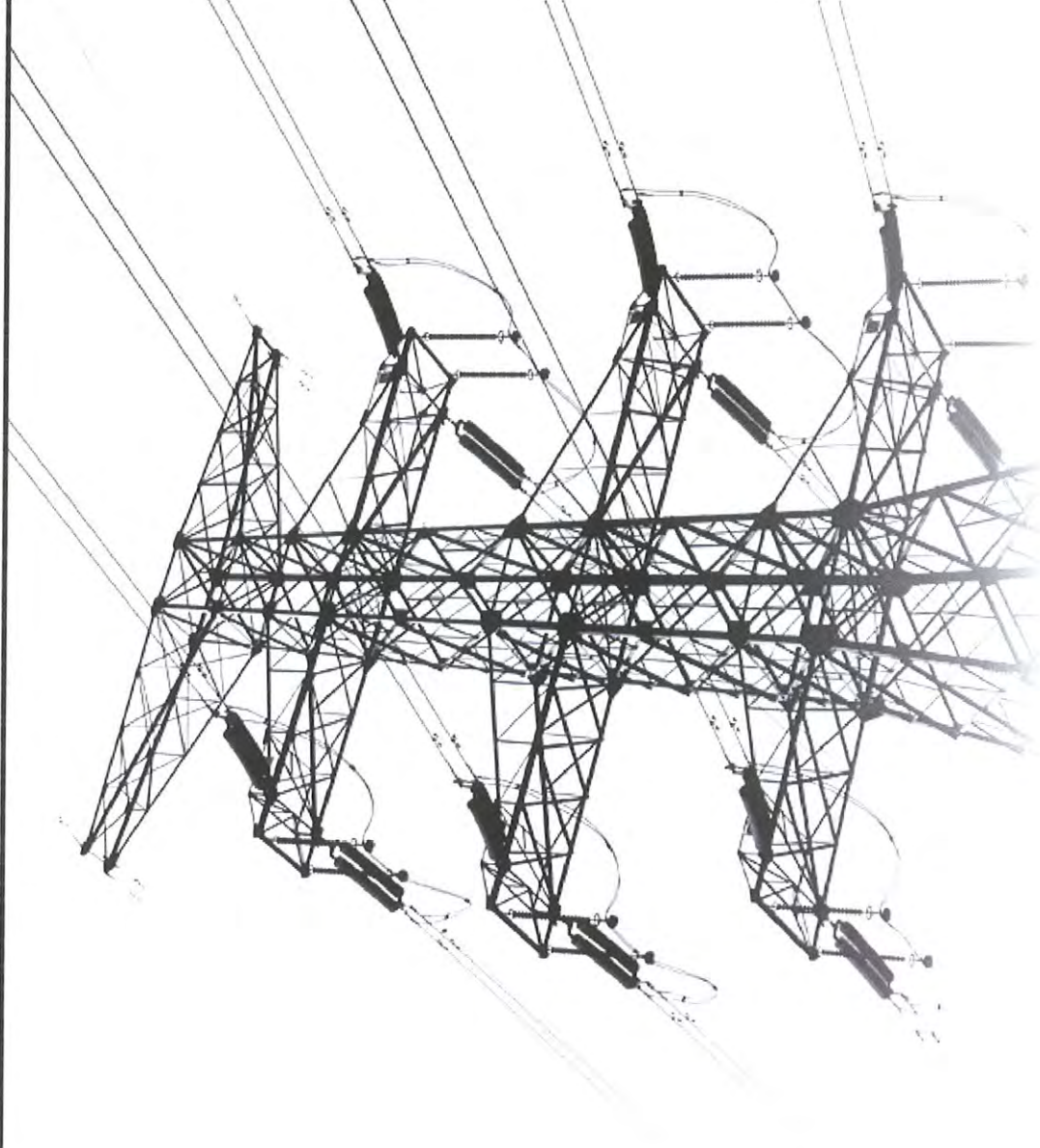


Table of contents



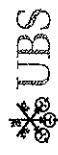
Section 1

The UBS proposition



Section 1

The UBS proposition



Original

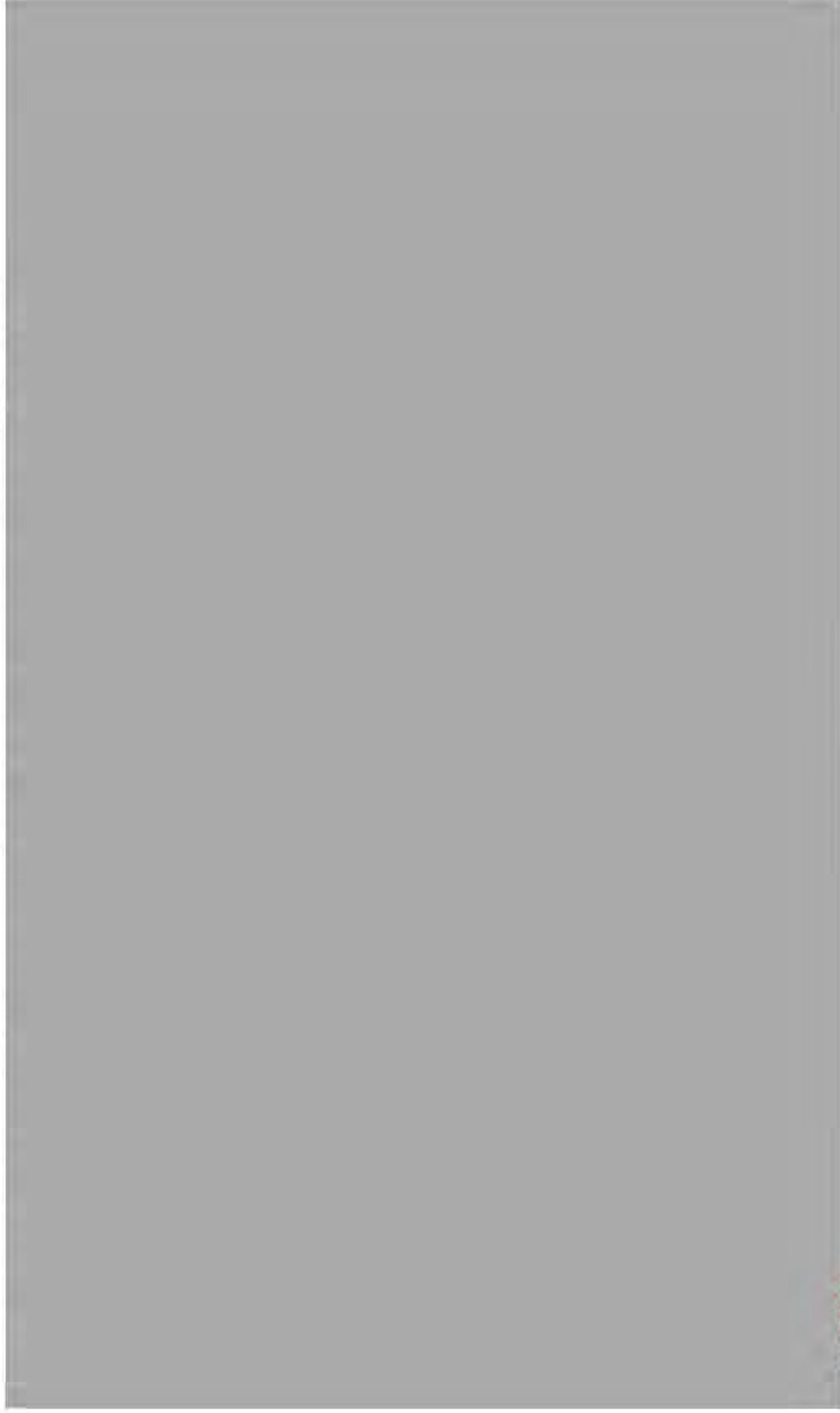
The UBS proposition

UBS will comprehensively address all points of value to the State of NSW, beyond just the initial lease transactions



Delivering the NSW Electricity Networks value proposition

UBS will ensure the structure of the monetisation process will maximise the value outcome for the State



Delivering the NSW Electricity Networks value proposition



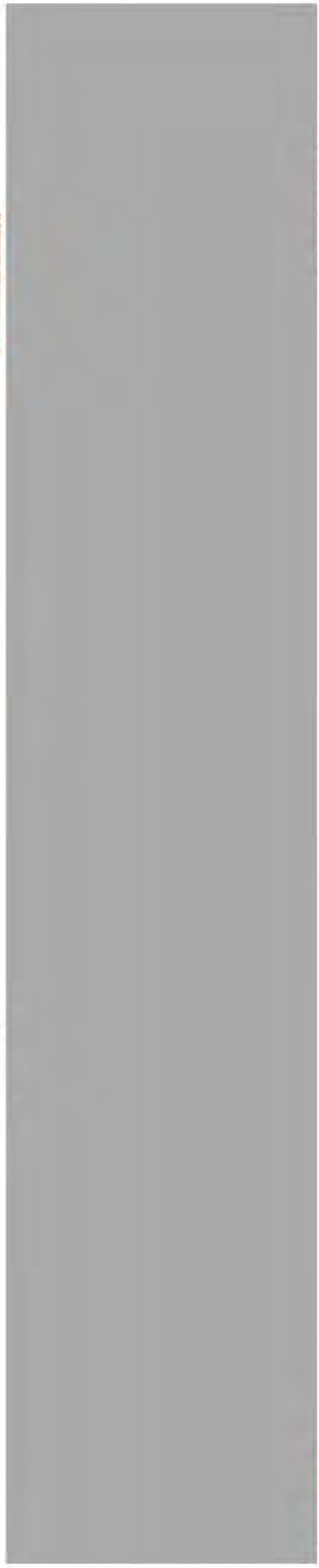
TransGrid



Ausgrid



Endeavour
Energy

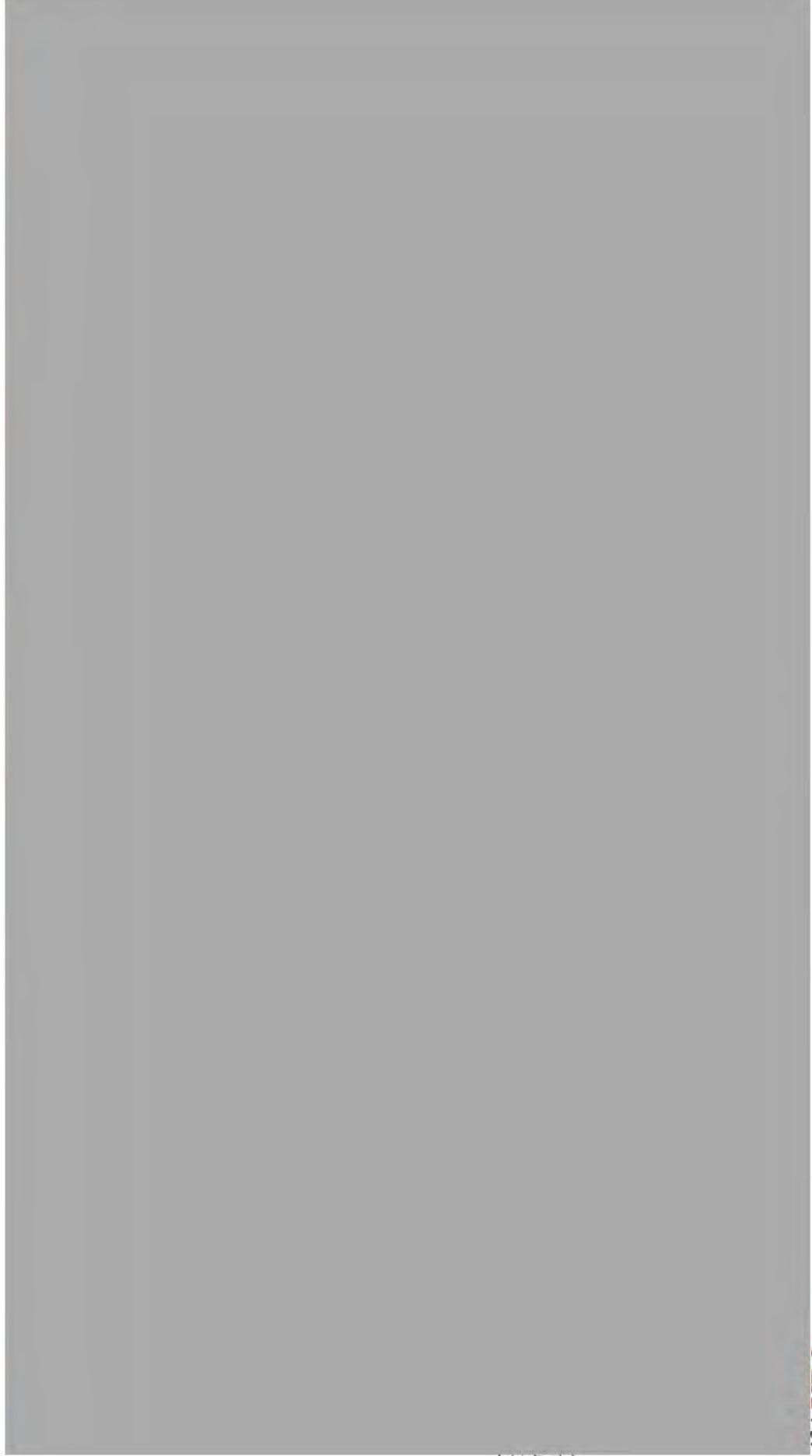


To be retained by
the State

Original

Delivering the NSW Electricity Networks value proposition

2B



Current
business



Original

Delivering the NSW Electricity Networks value proposition

2C



Delivering the NSW Electricity Networks value proposition

2D

















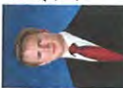







Dedicated resources from one of Australia's largest investment banks

UBS stands ready to commit a well resourced and experienced team to this important project

3

UBS will commit the resources of Australia's leading investment bank

- The UBS team will be led by its most senior and experienced personnel
 - Matthew Grounds (CEO of Australia) will act as senior sponsor with Guy Fowler and Anthony Sweetman taking day to day lead

Senior Sponsorship		Fully dedicated project leaders and primary contacts				Specialist industry expertise			
 Matthew Grounds Managing Director CEO, UBS Australasia Years at UBS: 20 Years in industry: 22	 Guy Fowler Managing Director Chairman of Investment Banking, Australasia Years at UBS: 19 Years in industry: 24	 Anthony Sweetman Managing Director Head of Investment Banking, Australasia Years at UBS: 17 Years in industry: 20	 David Di Pilla Senior Adviser Years at UBS: 10 Years in industry: 19						
Fully dedicated core execution team		ECM		DCM and Debt advisory		Ratings advisory		Derivatives & hedging	
 Jarrod Key Managing Director, Head of Power, Utilities & Infrastructure Years at UBS: 6 Years in industry: 13	 Sam Kyprianou Executive Director Years at UBS: 4 Years in industry: 9	 Victoria Hardie Director Years at UBS: 7 Years in industry: 7	 Dane FitzGibbon Managing Director, Co-Head of Global Capital Markets Years at UBS: 10 Years in industry: 14	 Barry Sharkey Managing Director, Co-Head of Global Capital Markets Years at UBS: 8 Years in industry: 10	 Michael Liu Executive Director, Head of Ratings Advisory Years at UBS: 9 Years in industry: 17	 Peter Kingston Executive Director Years at UBS: 14 Years in industry: 21			
 Alex Hammacher Director Years at UBS: 7 Years in industry: 7	 Darren Tan Associate Director Years at UBS: 3 Years in industry: 6	 Yeou-Heng Shaw Associate Director Years at UBS: 4 Years in industry: 6	 Simon Cox Managing Director, Head of Equities Syndication Years at UBS: 20 Years in industry: 20	 Vijendra Satkunasingam Executive Director Years at UBS: 1 Years in industry: 16	 Charlie Daish Associate Director Years at UBS: 4 Years in industry: 6	 Josephine Napoli Executive Director Years at UBS: 4 Years in industry: 21			
				Global PUI coverage					
 Julian Reddick Associate Director Years at UBS: 4 Years in industry: 4	 Shashank Ramakrishnan Analyst Years at UBS: 3 Years in industry: 3	 Daniel Wu Analyst Years at UBS: 1 Years in industry: 2	 Tom Snowball Associate Director Years at UBS: 4 Years in industry: 7	 Robert Kirk Senior Adviser Years at UBS: 20 Years in industry: 33	 Stephen Paine Global Head of Infrastructure Years at UBS: 25 Years in industry: 25				

Dedicated resources from one of Australia's largest investment banks

4

UBS will draw upon its global network of utilities and infrastructure advisers to assist in the Transaction

- The NSW Electricity Networks Transaction is an enormous undertaking that will require a deep pool of resources
 - UBS will commit resources from across its global power and utilities specialists, equity capital markets, debt capital markets, derivatives and ratings advisory teams



Leading M&A adviser

- **#1** Australian M&A team since 2005



Leading ECM house

- **#1** in Australian ECM issuance
- **#1** in Australian IPO issuance
- **#1** in Australian Utilities & Infrastructure



Leading DCM and debt advisory

- **#1** debt adviser for large scale infrastructure financings
- **#1** Australian derivatives house
- **#1** house for Australasian issuers accessing global bond markets



Only dedicated ratings advisory team

- The only investment bank in Australia with a dedicated ratings advisory team



Proven experience in advising on Government sell-side processes

Working with governments and sell side advisory mandates are core competencies

5

Track record of government advisory work and advising on Australia's largest and most complicated sell side transactions

Unparalleled experience in large scale government sales

			
	2014 Financial adviser to the Qld DB Fund on sale	2013, 2012 Sole financial adviser / Sole placement and equity sell downs	2012 Sole financial adviser to the South Australian Government on sale of its forest forward rotations
	2011 Financial adviser to NSW Treasury in relation to sale, including preparation of comprehensive scoping study	2010 Joint Lead Manager to the Queensland Government on the \$4.1bn IPO of QR National	2005, 2006 Sole adviser on Scoping Study; Project Management Joint Global Co-ordinator to the Government for T3 sale

Australian Government involvement advisory¹

Financial adviser	Rank value (A\$bn)
1 UBS	73.4
2 Morgan Stanley	66.6
3 Macquarie Group	62.0
4 Goldman Sachs	53.7
5 Lazard	48.6

Source: Thomson Financial

Notes:

1. Since 2000, full credit to each adviser, announced, Government owned involvement
2. Australian announced deals
3. Australian target



Strong knowledge of regulated utilities sector

	
	
2014, 2013 Sole underwriter of two DUET equity placements	2013, 2012 JLM on 2012 entitlement offer and strategic adviser in relation to State Grid's stake acquisition
2010 Adviser to Spark Infrastructure on its strategic review and JLM on capital raising	2010 Financial adviser to Alinta Energy on sale of power stations, Strategic Review, and restructuring transaction
\$210m	2005 Financial adviser to AGL on merger with Alinta and energy spin-off

Utilities and infrastructure M&A advisory rankings

2005 – 2014 YTD		
Rank	Adviser	Value (A\$bn) ^{2,3} # deals
1	UBS	50.6 33
2	Macquarie Group	46.2 34
3	Lazard	33.9 25

Track record in delivering excellent results in sell side processes



Proven experience in advising on Government sell-side processes

6

Queensland Motorways ("QM") case study — Working collaboratively with management and government on Australia's largest privatisation and infrastructure transaction

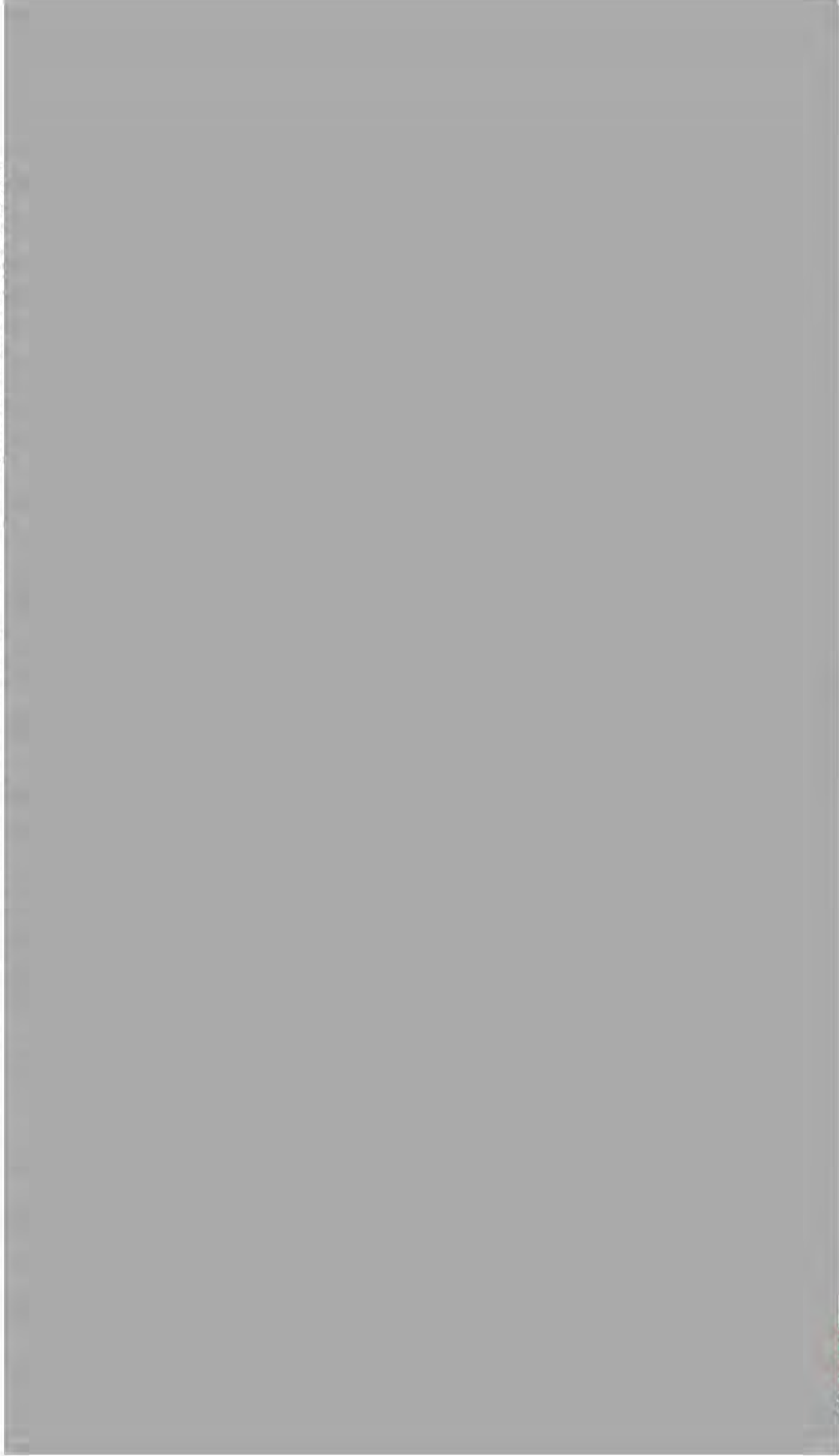
Transaction highlights

- ✓ Australia's largest Power, Utilities & Infrastructure transaction
- ✓ Over \$18 billion of equity demand
- ✓ Highest EBITDA and FCF multiples achieved on the sale of brownfield infrastructure asset in Australia

The Queensland Motorways process evidences the benefits of UBS' committed resource and capabilities

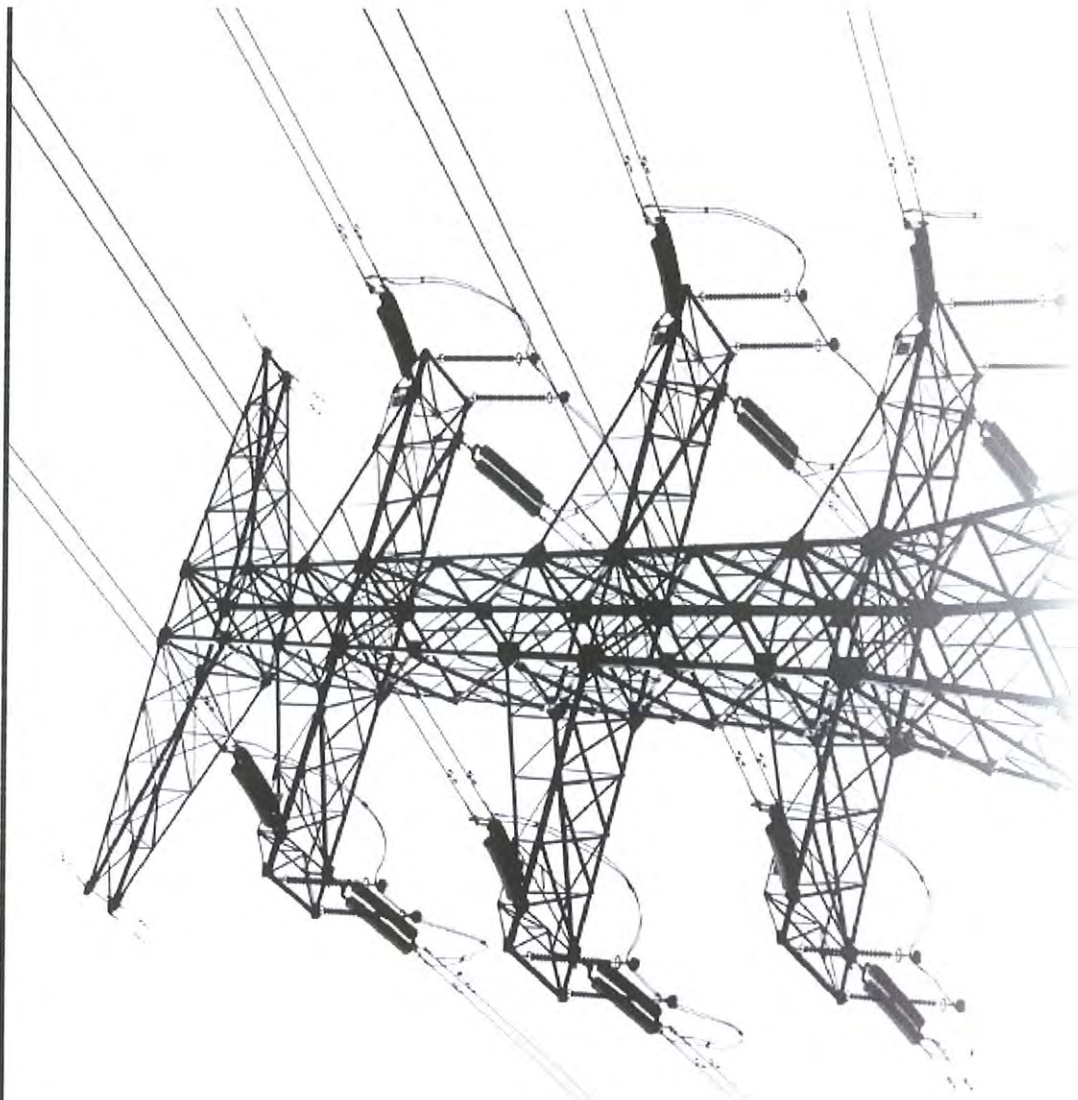
UBS "building block" approach

UBS will adopt a comprehensive building block approach for thoroughly assessing all options available to the State



Section 2

Current market conditions



Section 2

Current market conditions

Current market conditions are favourable for the NSW Electricity Networks Transaction

2A

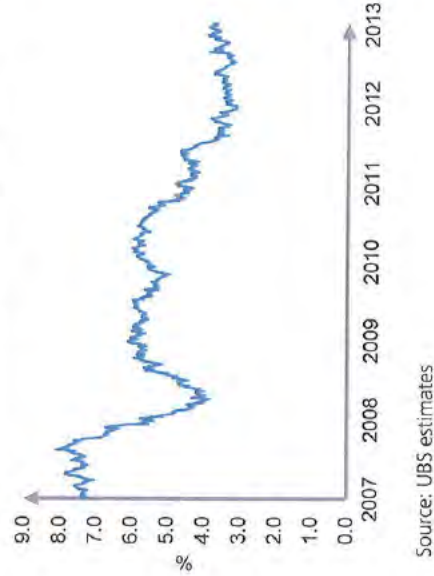
- 1 Scarcity of assets driving down return requirements in infrastructure sector
- 2 Base rates and "all in" cost of debt at historic lows
- 3 Global and domestic funds are underweight Australian regulated utilities

Precedent transaction equity IRRs

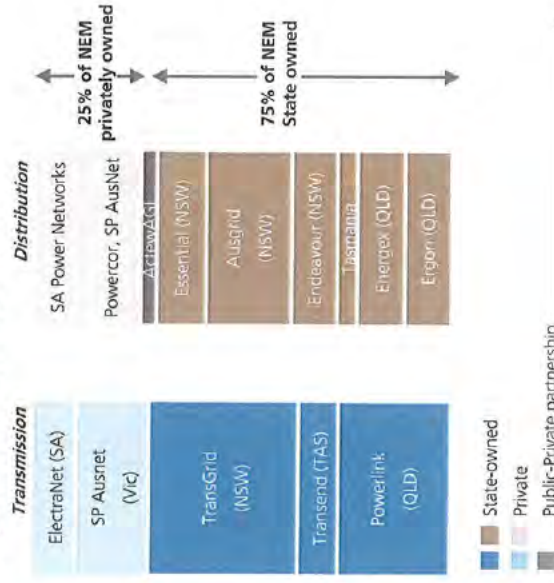


Source: UBS estimates

Historical BBB rated 5 year bond yield (%)



Ownership of NEM network assets



Original

Current market conditions – competing pipeline of transactions

2B

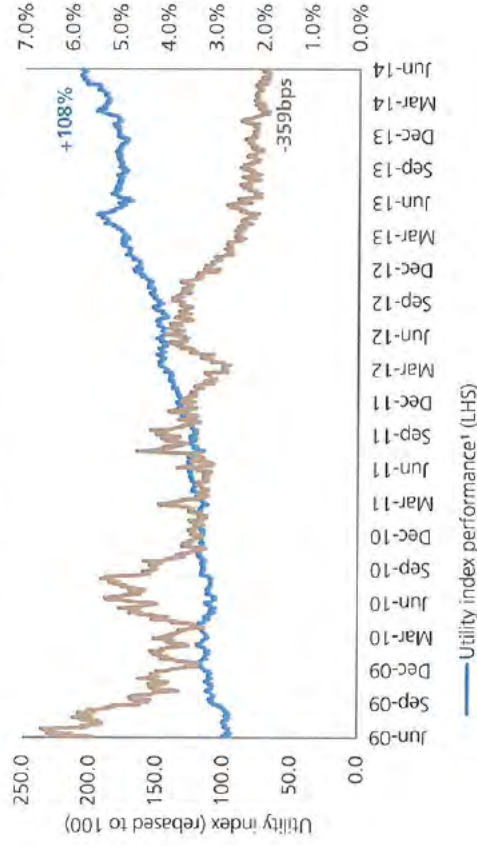


Current market conditions – listed market conditions

2C

2 Listed utility dividend yields have reduced with interest rates, however, significant yield still required for follow-on offers

Listed utilities share price vs listed utility index yield spread



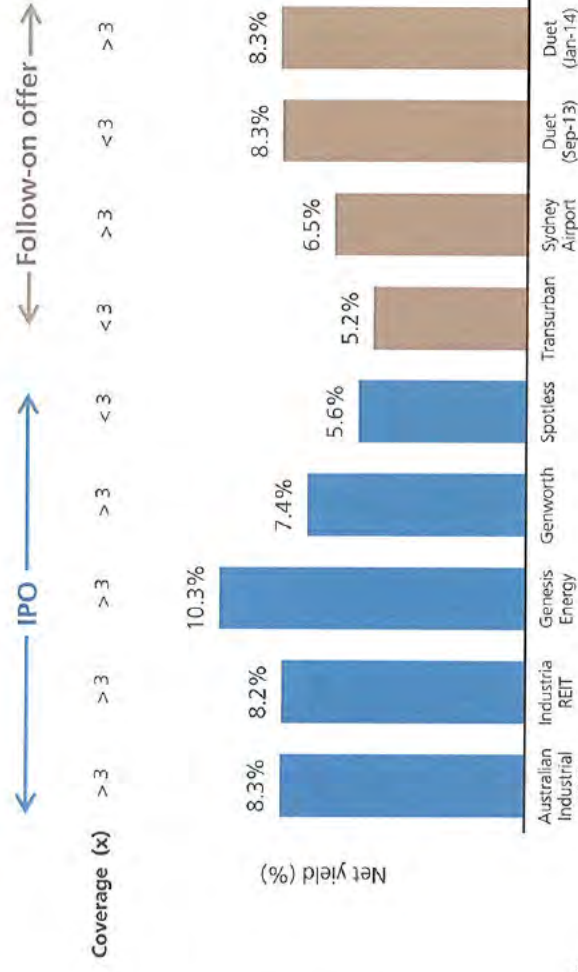
Source: IRESS

Notes:

1. Utility index based on a market capitalisation weighted average of ENV, DUE, SPN, APA and SKI



Recent yield focused capital market issuances



Source: UBS

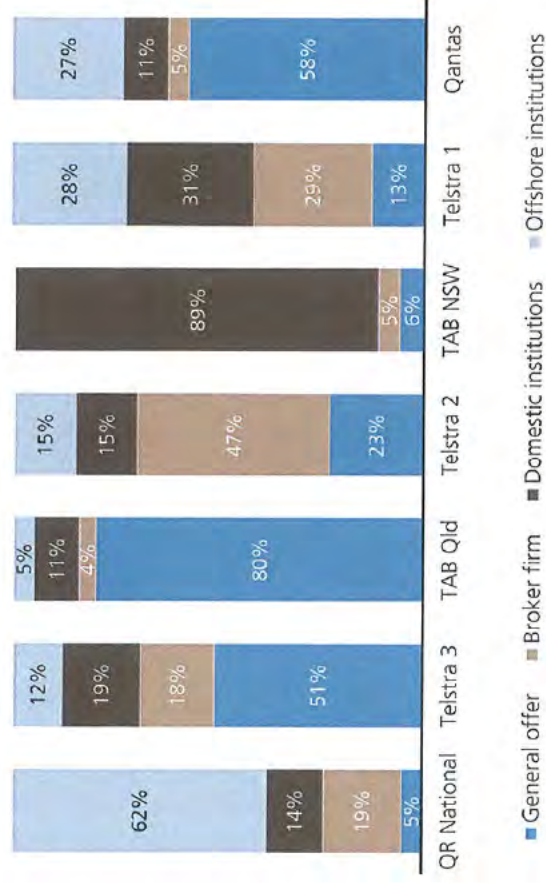
Original

IPO volume considerations

2D

The Australian stock market has demonstrated an ability to absorb large-scale IPOs

Demand breakdown on precedent Australian privatisations



Section 3

Issues specific to NSW Electricity Networks

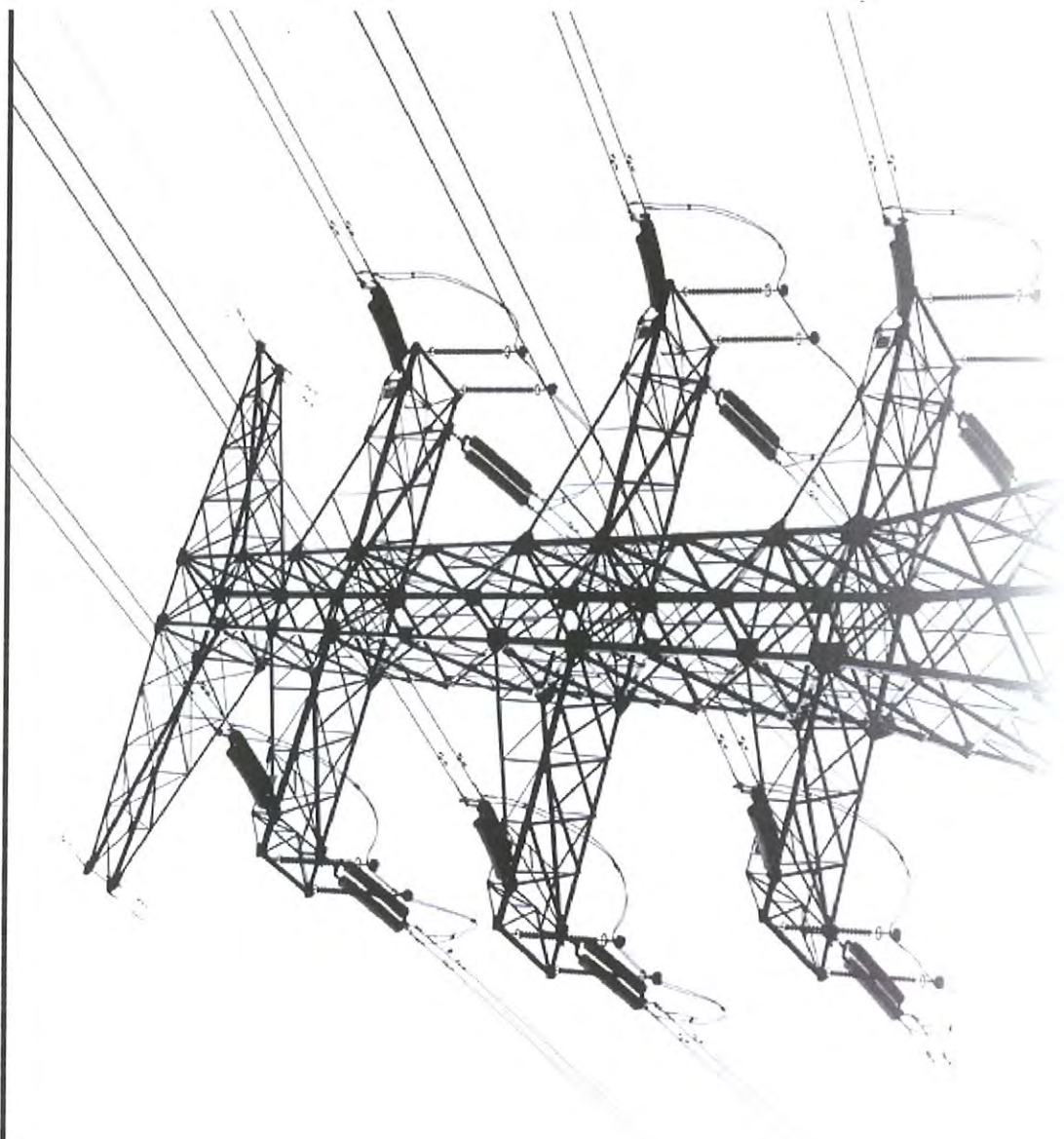
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Setting the scene — asset overview

Asset	TransGrid	Ausgrid	Endeavour Energy	essential energy	To be retained by the State
RAB (June 2015) ¹	Transmission \$6,395m	86% distribution 14% transmission \$15,492m	Distribution \$6,006m	Distribution \$7,278m	
Real RAB CAGR 2014-19	2.8%	1.6%	2.5%	2.9%	
2013 EBITDA (margin %) ²	\$704m (81%)	\$2,061m (63%)	\$746m (53%)	\$1,124m (54%)	

Section 3

Issues specific to NSW Electricity Networks



Section 3.A

Issues specific to NSW Electricity Networks

Regulatory considerations

Regulatory backdrop – status of reforms



3A

1



Regulatory backdrop — status of reforms

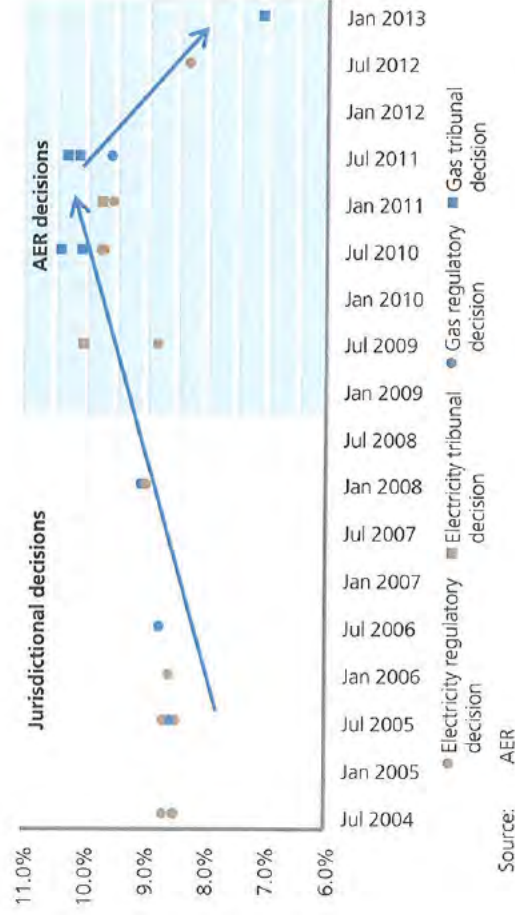


5A

2

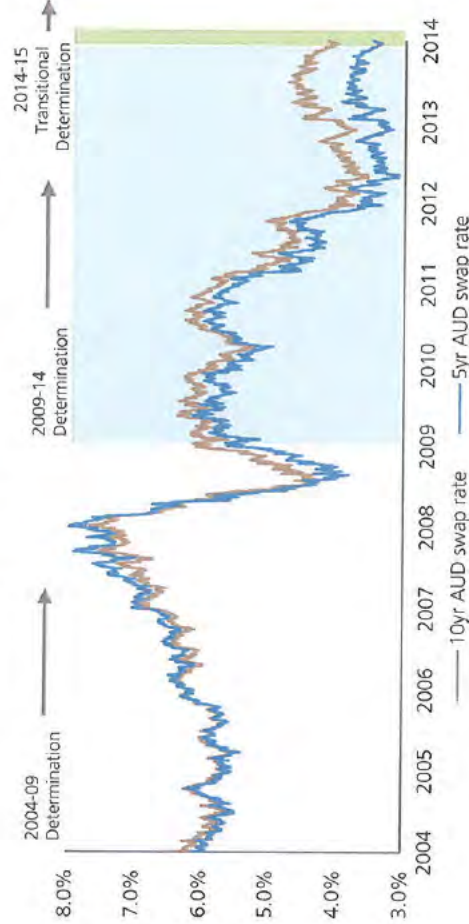
Potential value impact of recent trend in declining regulatory WACC determinations

Regulatory WACC determinations are declining from previous peaks...



- Higher regulatory WACC determinations followed increased debt funding costs for companies as a result of the GFC
- Lower allowed WACCs also reduce further downside risk to investors

...however this is offset by lower funding costs for companies





- Falling debt funding costs will eventually be passed through to companies' overall cost of debt
- Returns will be supported by the move by the AER from a 7 to 10 year return on debt allowance

Regulatory backdrop – status of reforms

3A

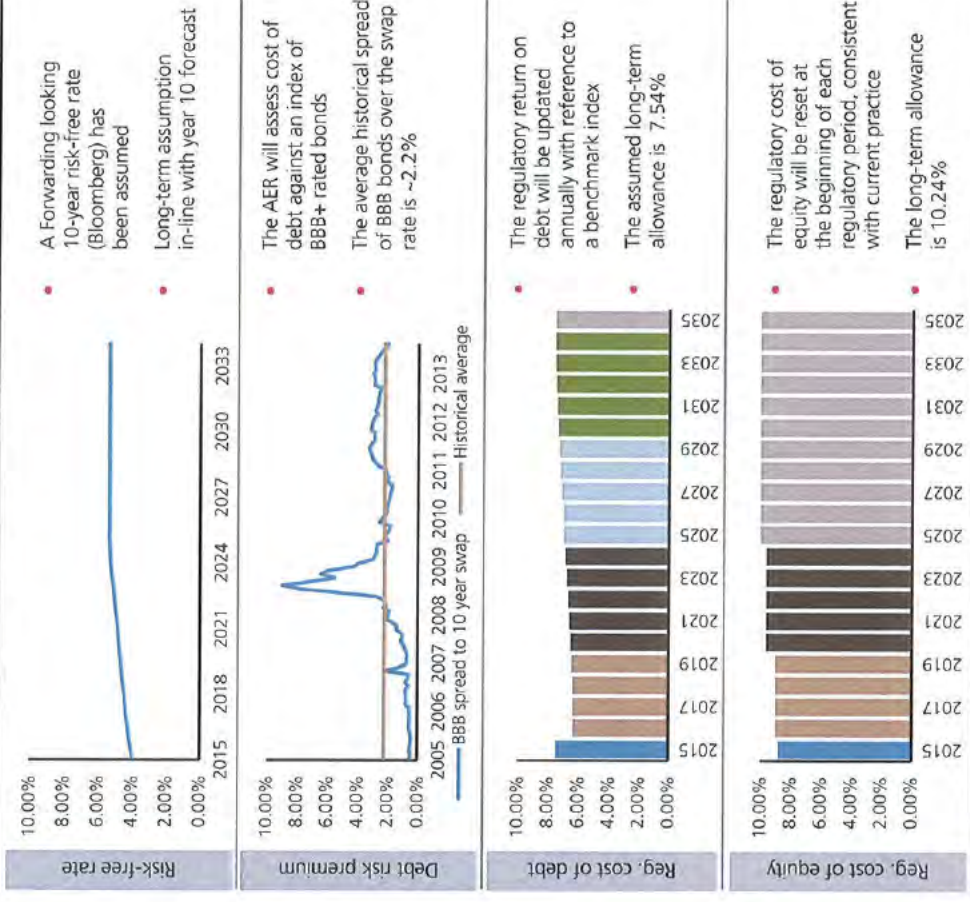
Regulatory WACC assumptions

	Transitional (FY15)			Future
				
Risk free rate (%)	4.30	4.30	4.30	See right
Gearing (%)	60.0	60.0	60.0	60.00
Market risk premium (%)	6.50	6.50	6.50	7.00
Equity beta	0.70	0.70	0.70	0.70
Debt risk premium (%)	3.20	3.20	3.20	2.20
Nominal pre-tax return on debt (%)	7.50	7.50	7.50	Rolling
Nominal post-tax return on equity (%)	8.90	8.90	8.90	5-year resets
Nominal vanilla WACC (%)	8.06	8.06	8.06	Rolling
Gamma (%)	50.0	50.0	50.0	50.00

- The AER Better Regulation Guidelines have provided relative certainty on a number of WACC parameters for the next reviews
 - beta point estimate of 0.70
 - gearing level of 60%, in-line with historical AER decisions
 - gamma point estimate of 50%
 - market risk premium remains a range estimate

Source: Australian Energy Regulator reports and determinations; Bloomberg; Reserve Bank of Australia; UBS assumptions

Potential investor build-up of long term assumptions



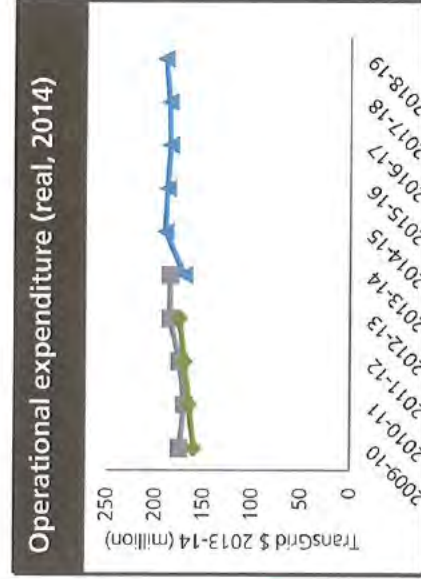
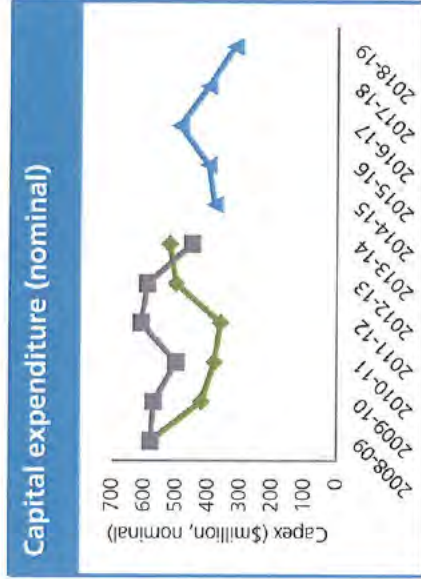
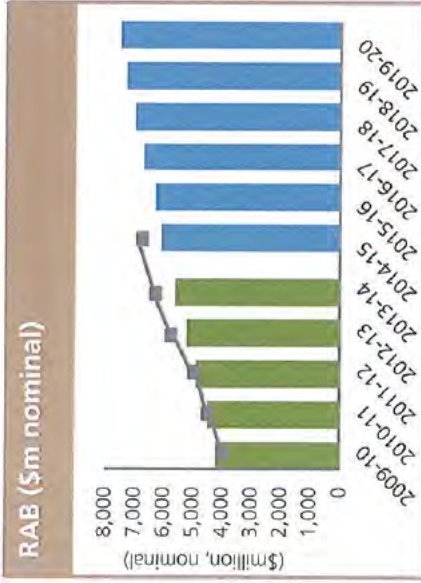
Section 3.B

Issues specific to NSW Electricity Networks

TransGrid specific issues

2014-15 transitional determination and 2015-19 indications – TransGrid

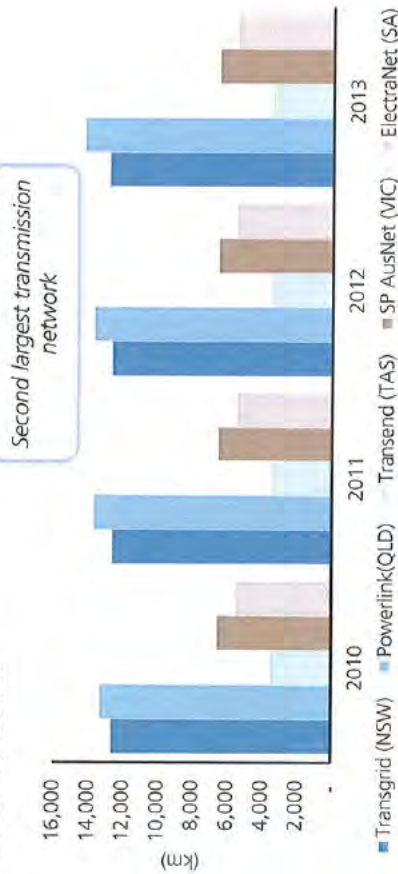
Given its past capex underspend, TransGrid will need to convince both the AER and investors of the need for future capex projects (i.e. return to historic demand growth levels)



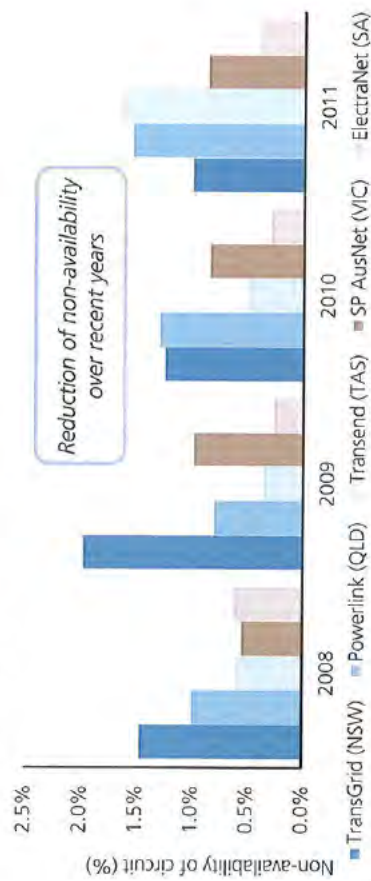
Operational benchmarking – TransGrid

TransGrid has the lowest level of system losses over the second largest network, and has reduced historically high levels of circuit non-availability, indicating an asset ready for a sale process

Line kilometres

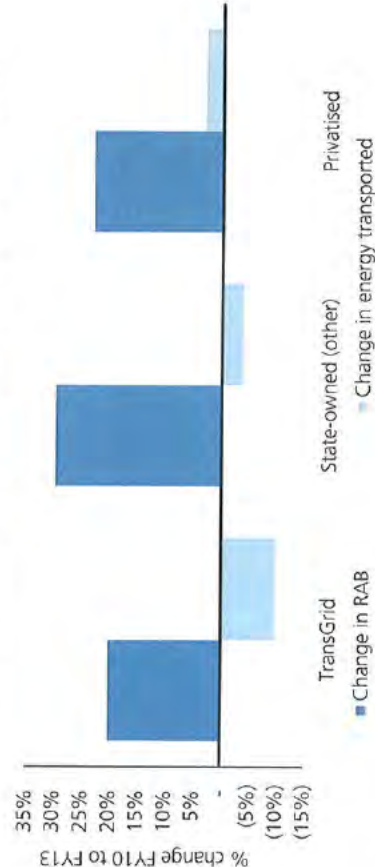


Non-availability of circuit¹

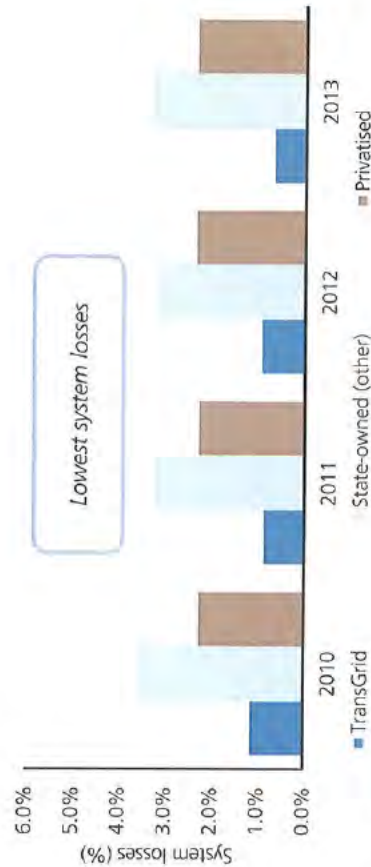


Source: AER determinations, economic benchmarking RIN for each TNSP, TNSP Electricity Performance Report 2010-11
Notes: 1 Data available only up to 2011

Change in RAB vs change in GWh transported (2010 to 2013)



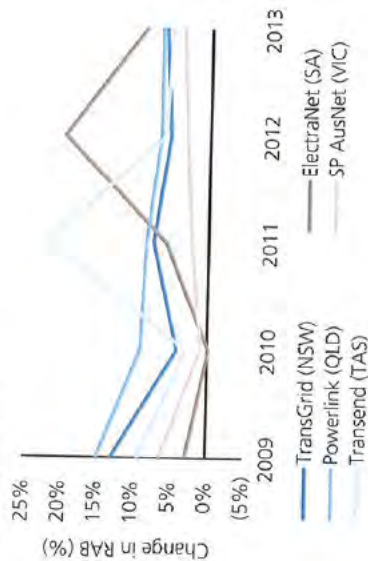
System losses



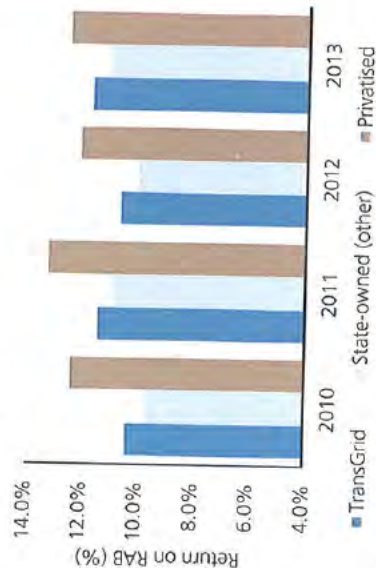
Financial benchmarking – TransGrid

While TransGrid has historically outperformed its regulatory targets, it will be necessary to demonstrate this will continue going forward

RAB growth¹



Return on RAB²

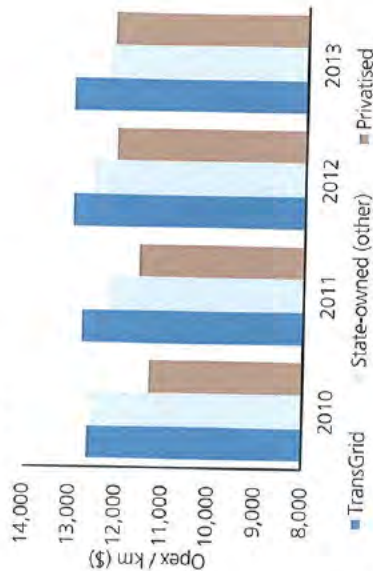


Source: AER determinations, economic benchmarking RIN for each TNSP

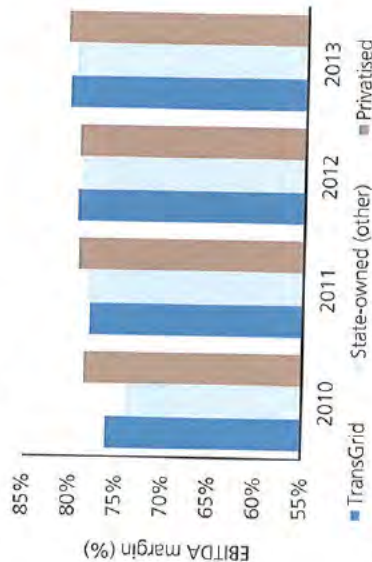
Notes:

- 1 RAB values "as commissioned" basis per the economic benchmarking RIN requirements
- 2 Calculated as EBIT / RAB; EBIT calculated using reported regulatory depreciation; RAB value as per Note 1 above
- 3 Excludes SP AusNet easement tax passthrough
- 4 Financial incentives consist of EBSS and STPIs

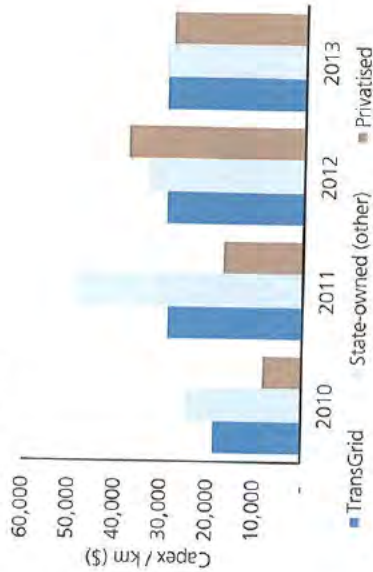
Opex per km³



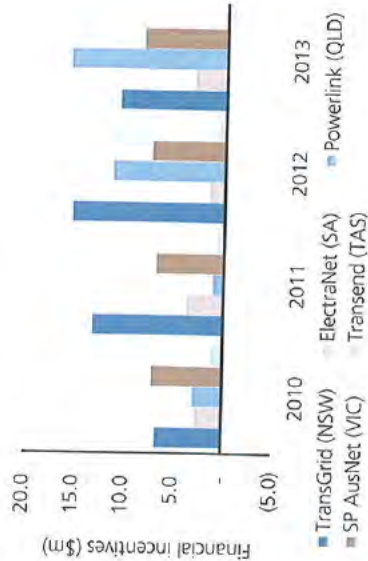
EBITDA margin



Capex per km



Financial incentives⁴



Section 3.C

Issues specific to NSW Electricity Networks

Ausgrid and Endeavour specific issues

2014-15 transitional determination and 2015-19 indications – Ausgrid distribution

2014-15 transitional determination and 2015-19 indications – Ausgrid transmission

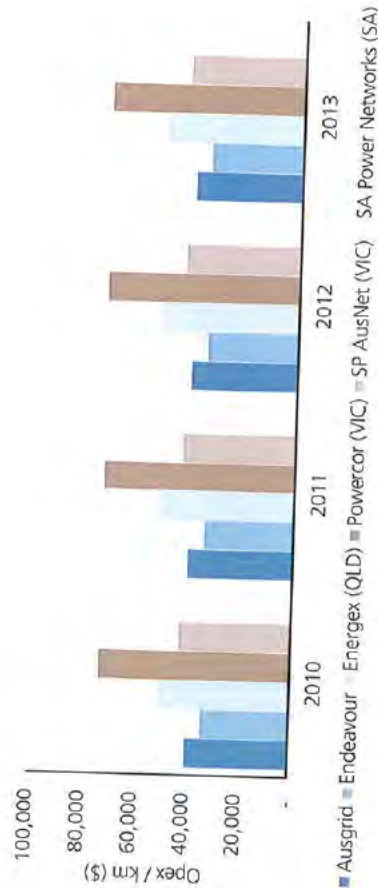
3C

2014-15 transitional determination and 2015-19 indications – Endeavour

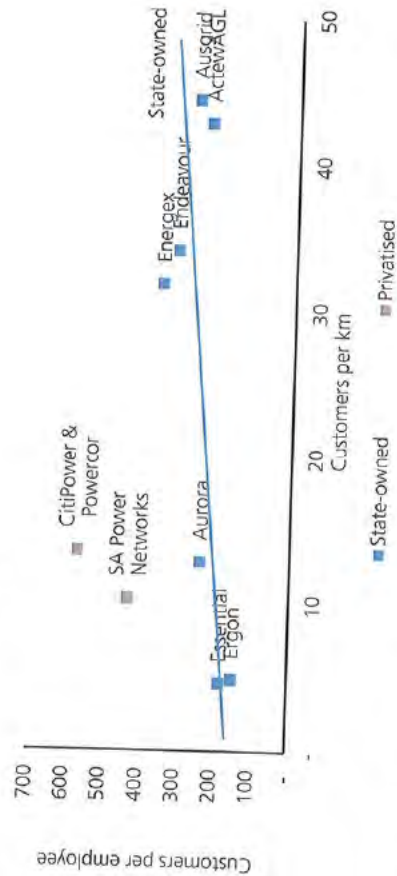
Operational benchmarking – Distribution

Ausgrid and Endeavour have consistently outperformed other State-owned networks on quality of service measures, indicating these are more ready-for-sale than the Queensland assets

Line kilometres



Customers per employee¹

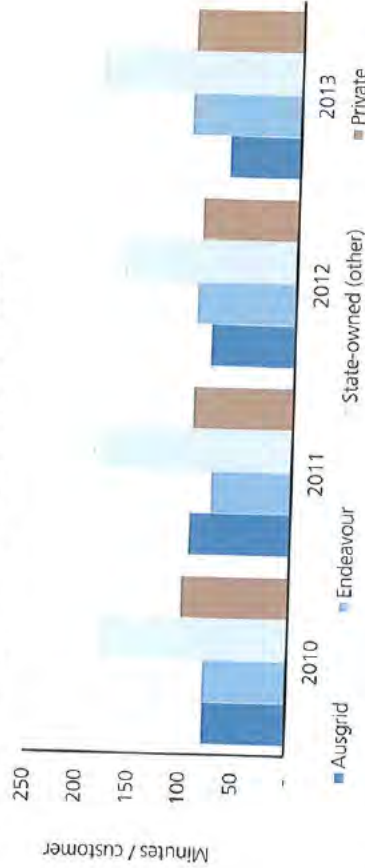


Source: AER determinations, economic benchmarking RIN for each TNSP
Notes: 1

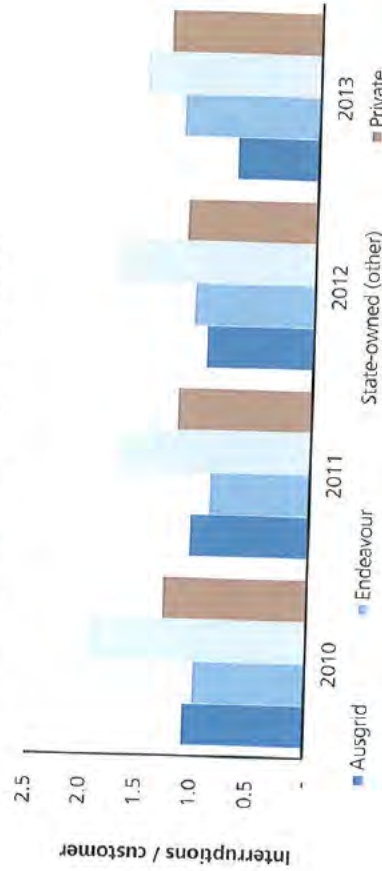
For utilities where data is available. Unlike data collected by regulators, figures included in annual reports are often representative of an entire company rather than for the distribution business alone



System Average Interruption Duration Index



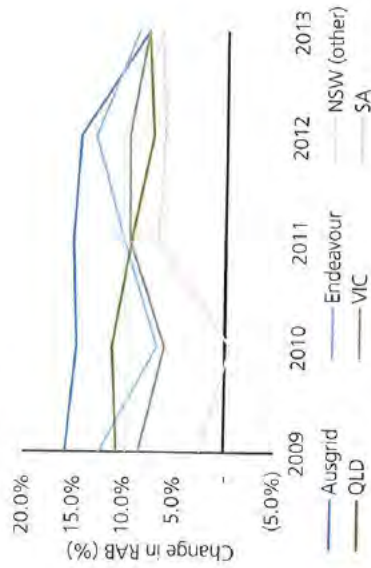
System Average Interruption Frequency Index



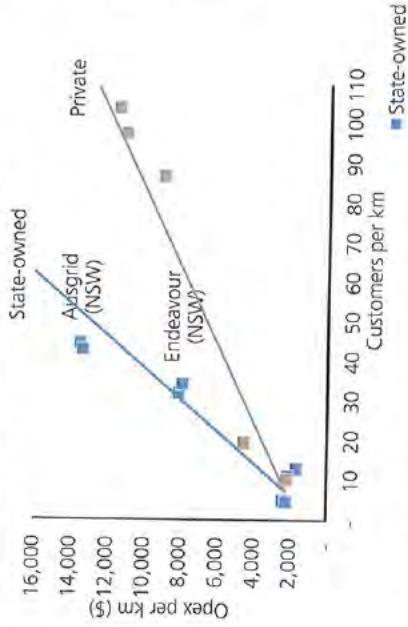
Financial benchmarking – Distribution

There is scope to achieve opex and capex outperformance for Ausgrid and Endeavour, which will further improve their return on RAB relative to other State-owned and privatised assets

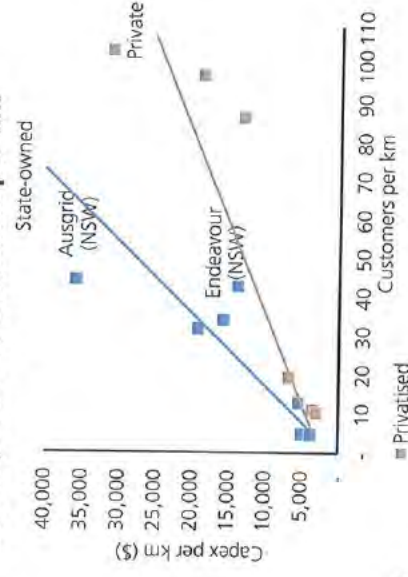
RAB growth



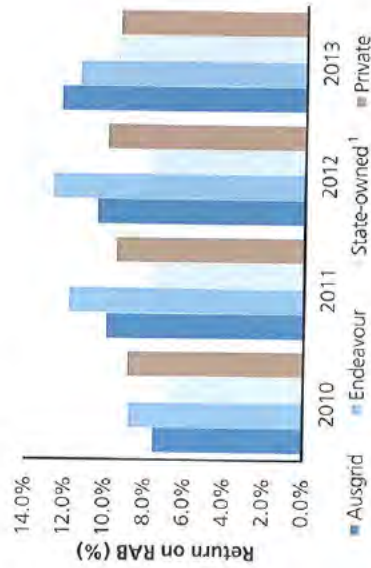
Opex per km vs customers per km



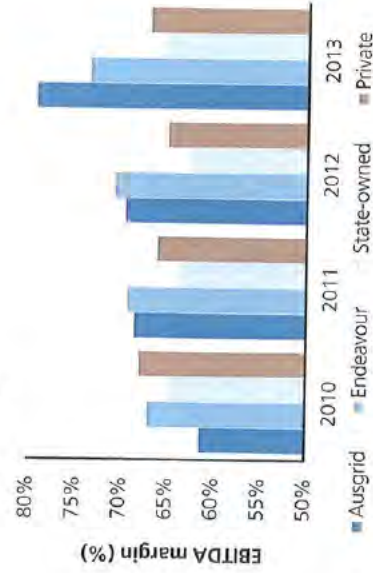
Capex per km vs customers per km



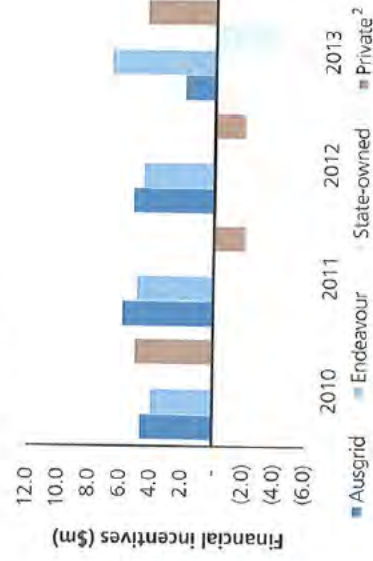
Return on RAB



EBITDA margin



Financial incentives

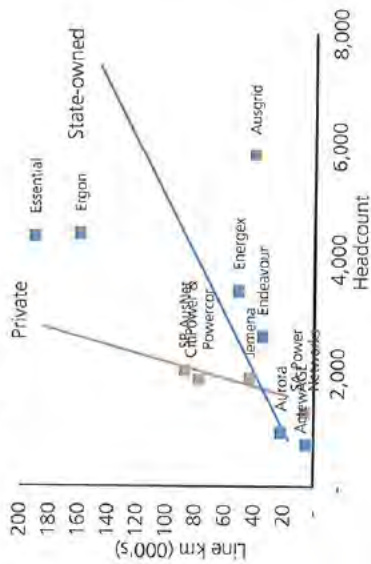


Source: AER determinations, economic benchmarking Regulatory Information Notice for each Distribution Network Service Provider

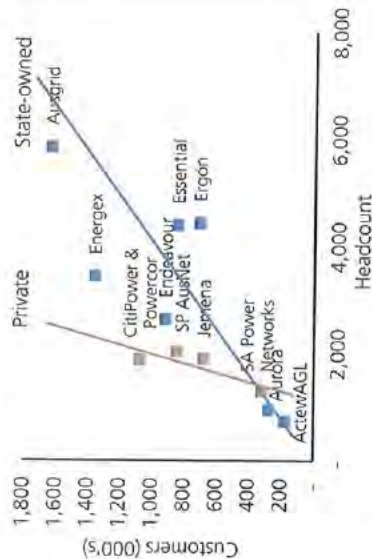
Notes:
1 Excludes Aurora Energy and ActewAGL return on RAB due to materially higher regulatory Maximum Allowable Revenue relative to their smaller RAB base
2 Excludes one-off incentive payment of \$53m for SP AusNet in 2010

Employee benchmarking

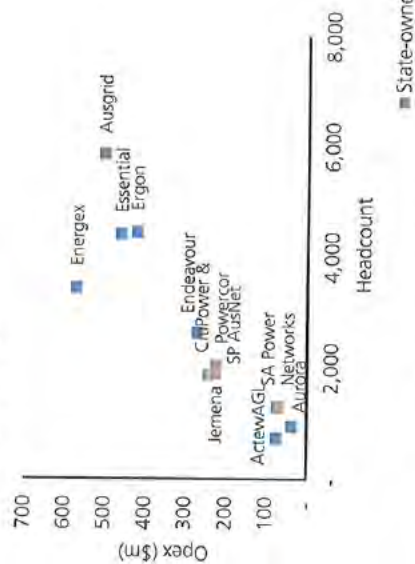
Headcount vs km¹



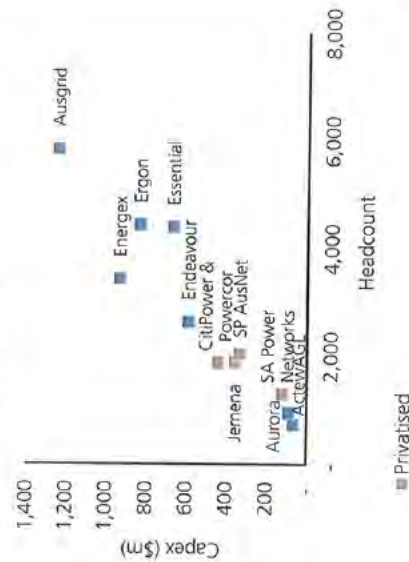
Headcount vs customers



Headcount vs opex



Headcount vs capex



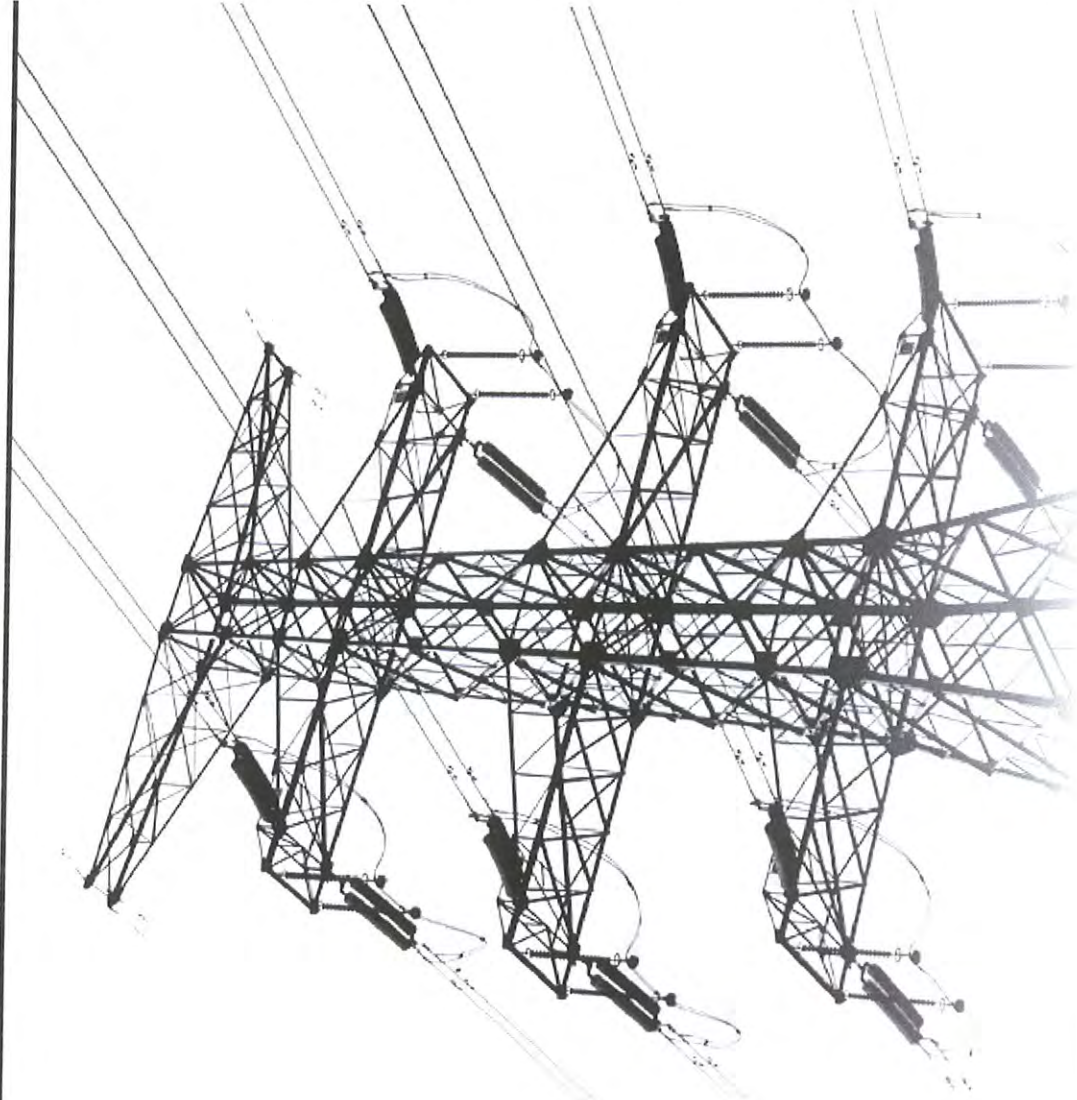
Source: Annual reports, economic benchmarking Regulatory Information Notice for each Distribution Network Service Provider

Notes:

- 1 Excludes Essential Energy and Ergon which are country/regional distribution networks
- 2 Analysis undertaken as at June 2013

Section 4

Capital structure considerations



Capital structure considerations

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Capital structure considerations



4



Source: UBS estimates

Notes:

1.

Original

41

Capital structure considerations



Section 4.A

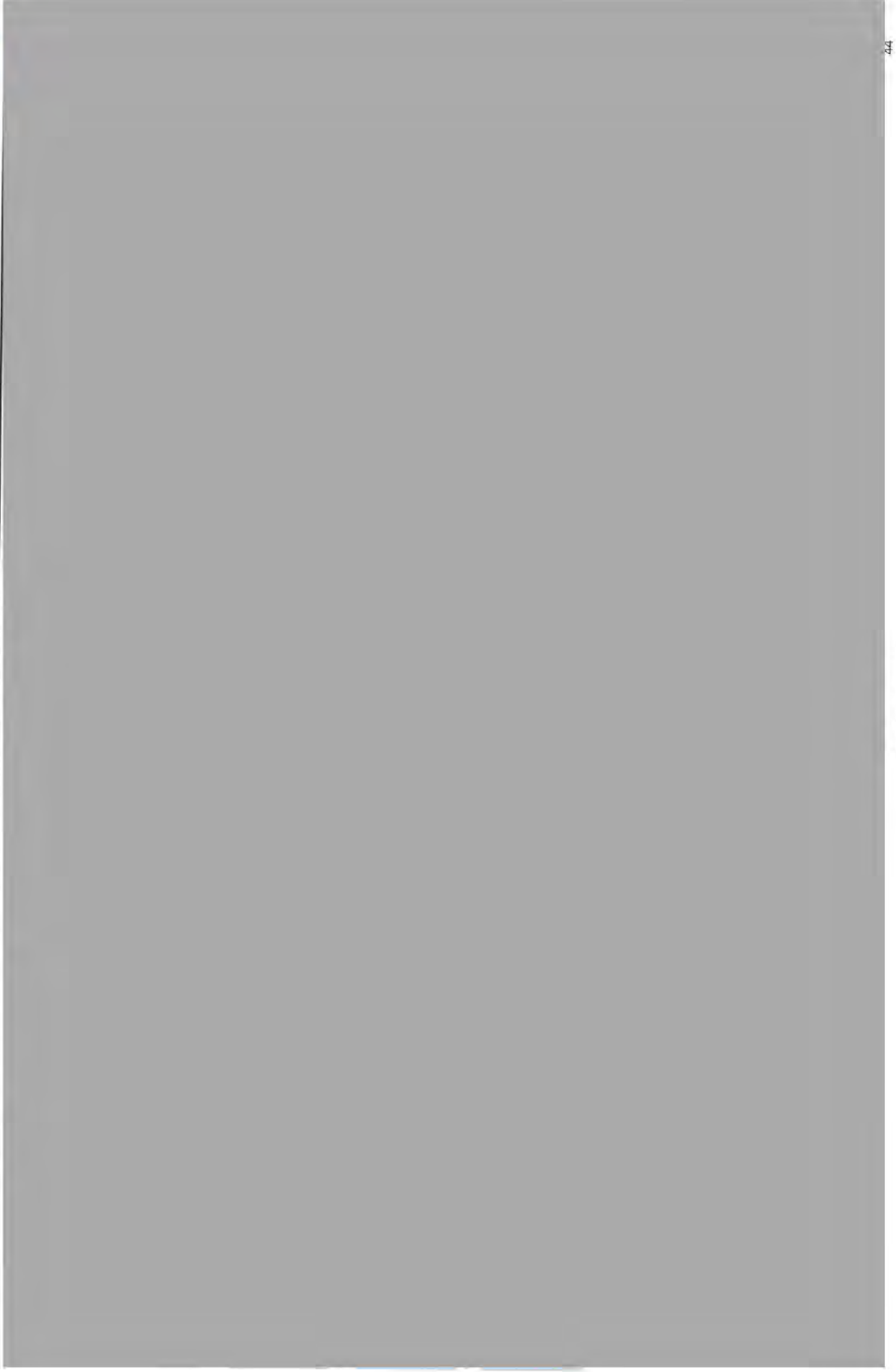
Capital structure considerations

Debt capacity of NSW Electricity Networks

Business risk profile –



4A

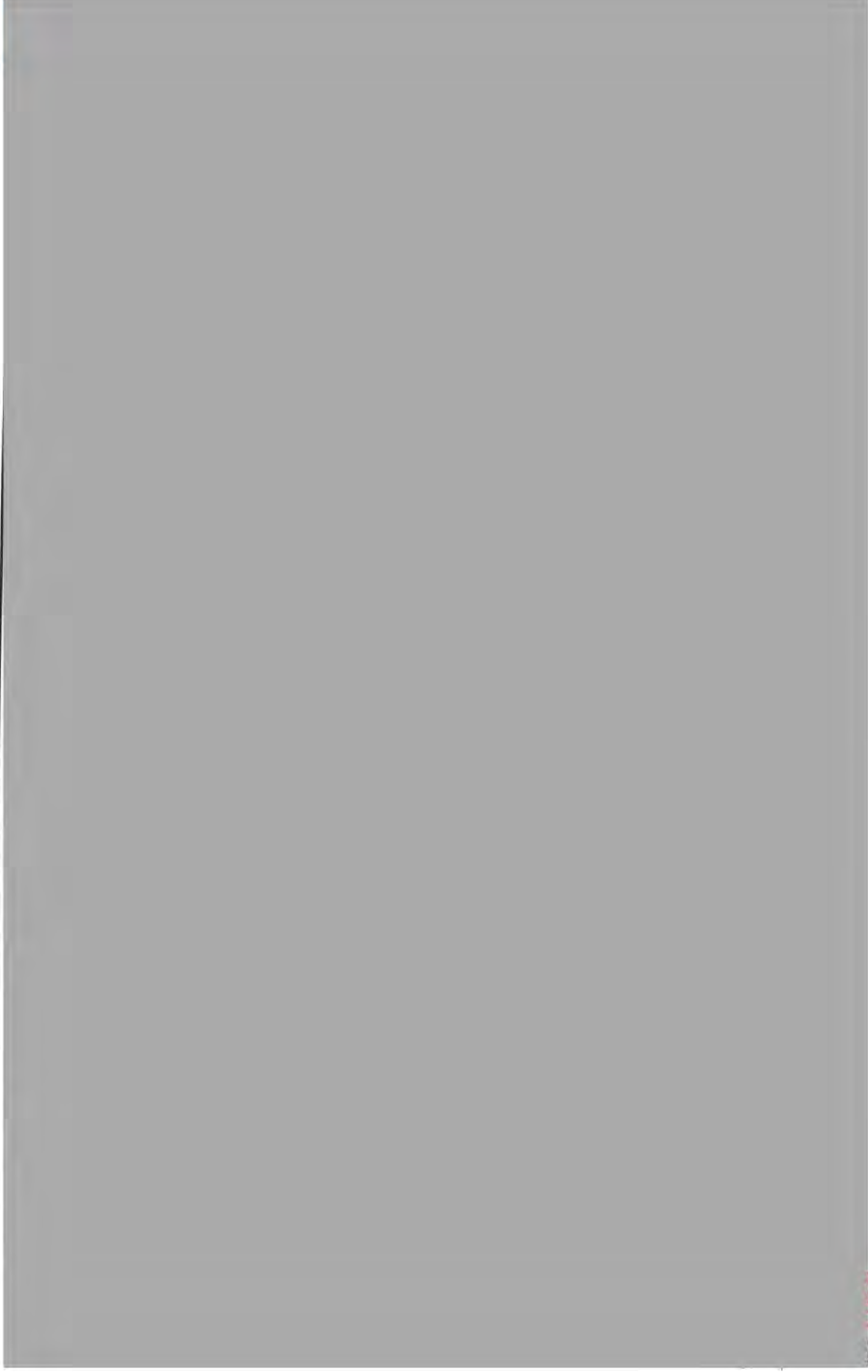


44

Original

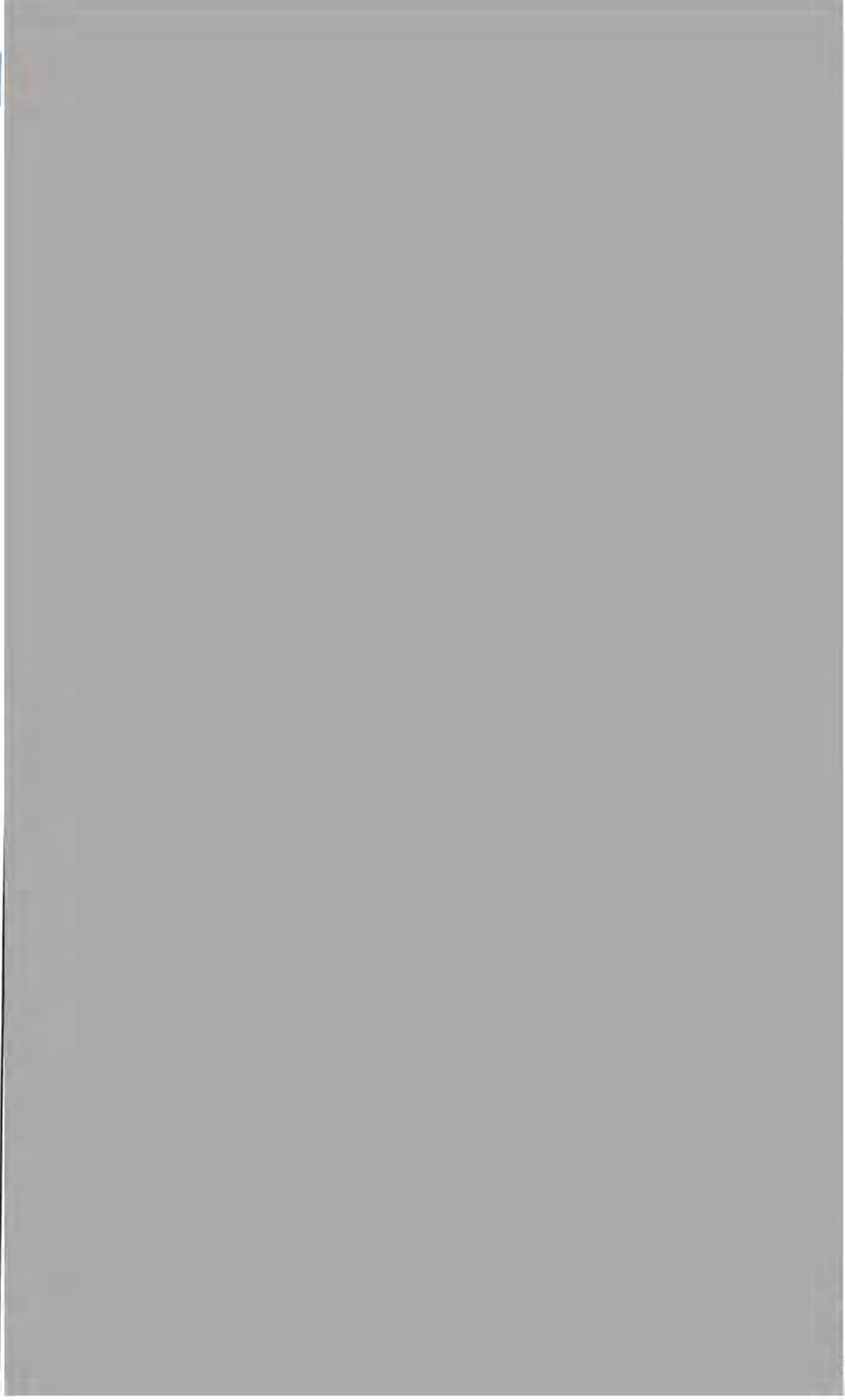
Business risk profile – [REDACTED]

4A



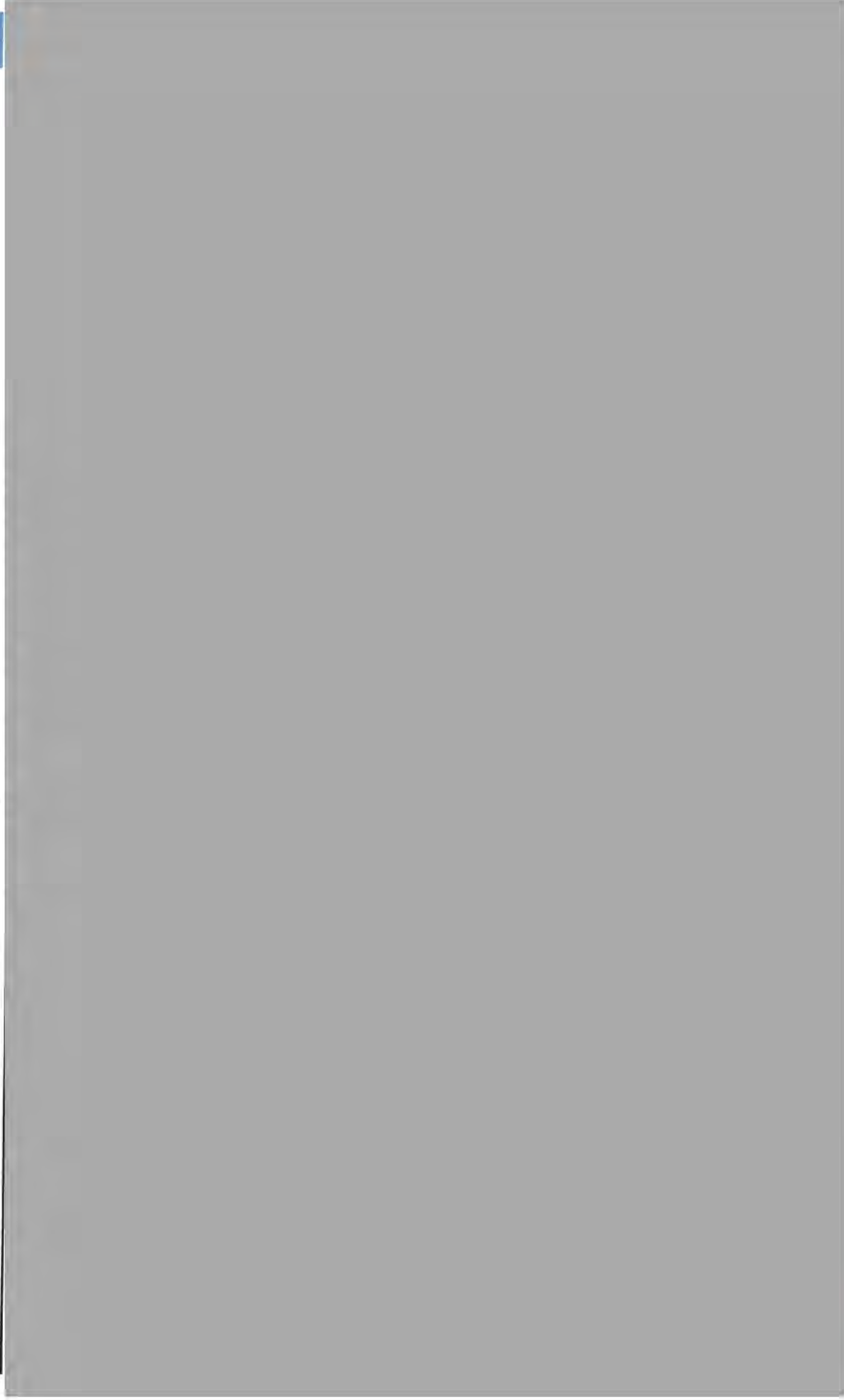
Target investment grade credit metrics

4A



Debt capacity – TransGrid, Ausgrid and Endeavour

4A

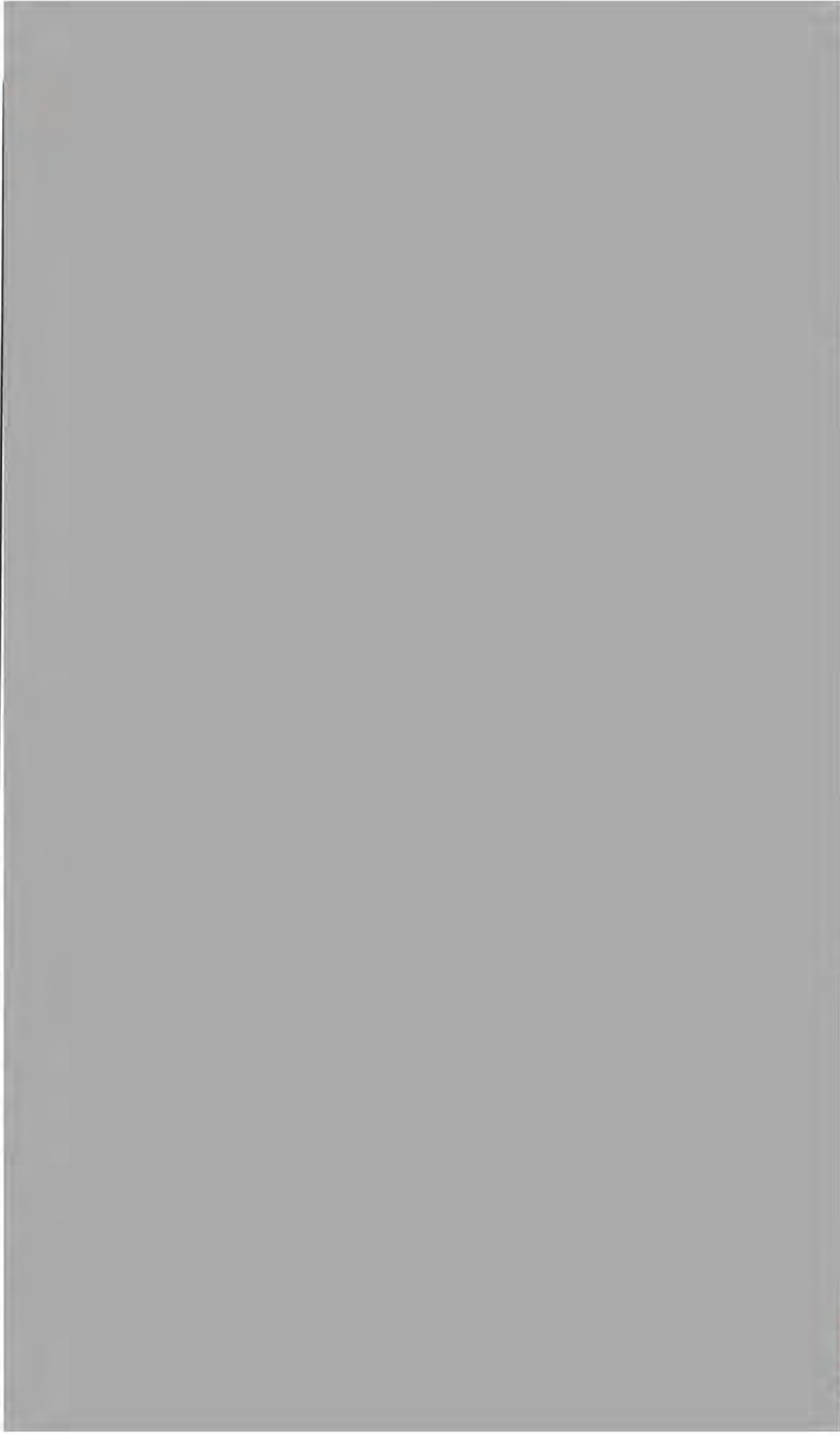


Peer benchmarking –

4A

Peer benchmarking –

4A



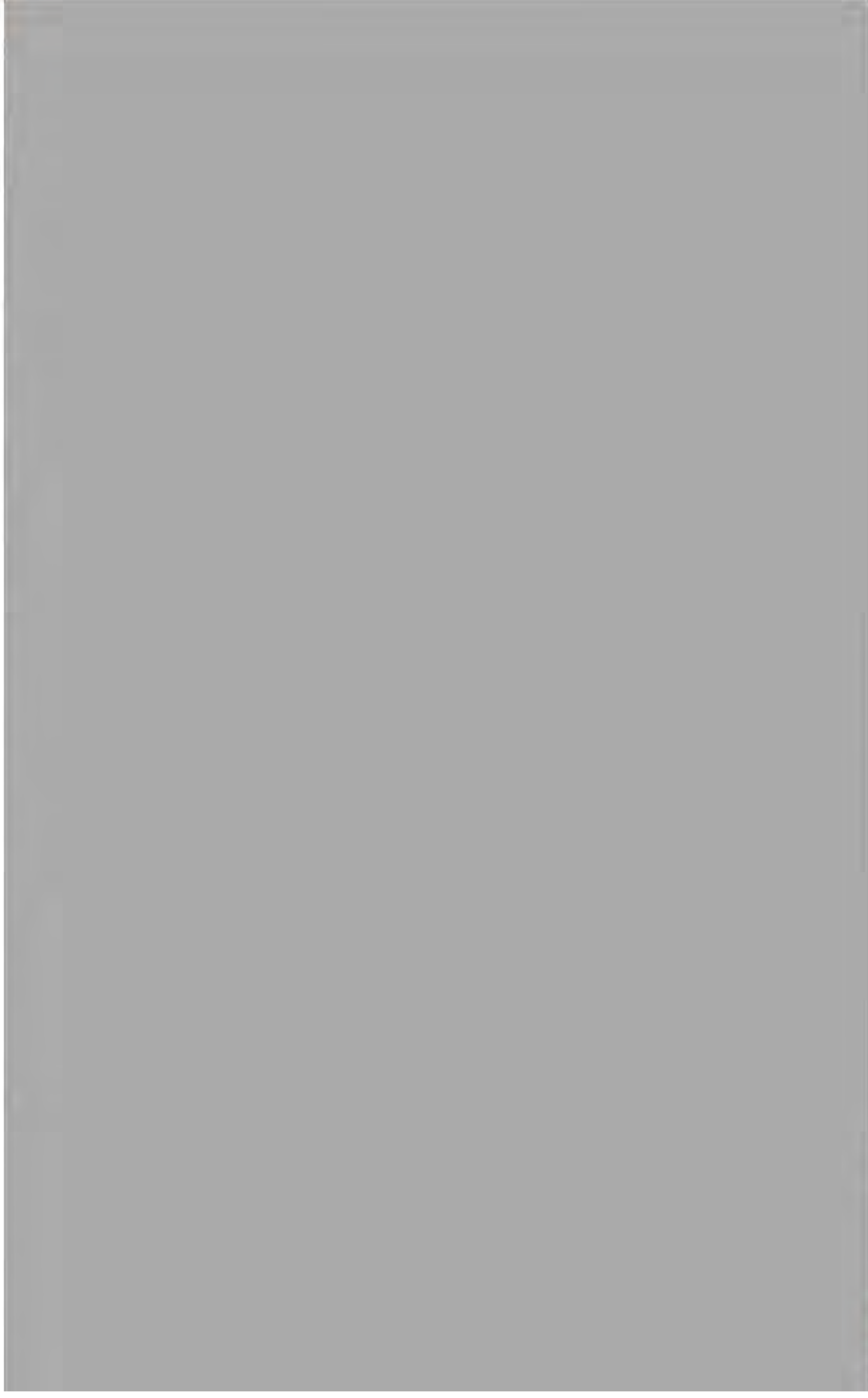
Section 4.B

Capital structure considerations

Debt market capacity and acquisition facility structures

NSW Electricity Networks in the context of Australian debt issuance

4B



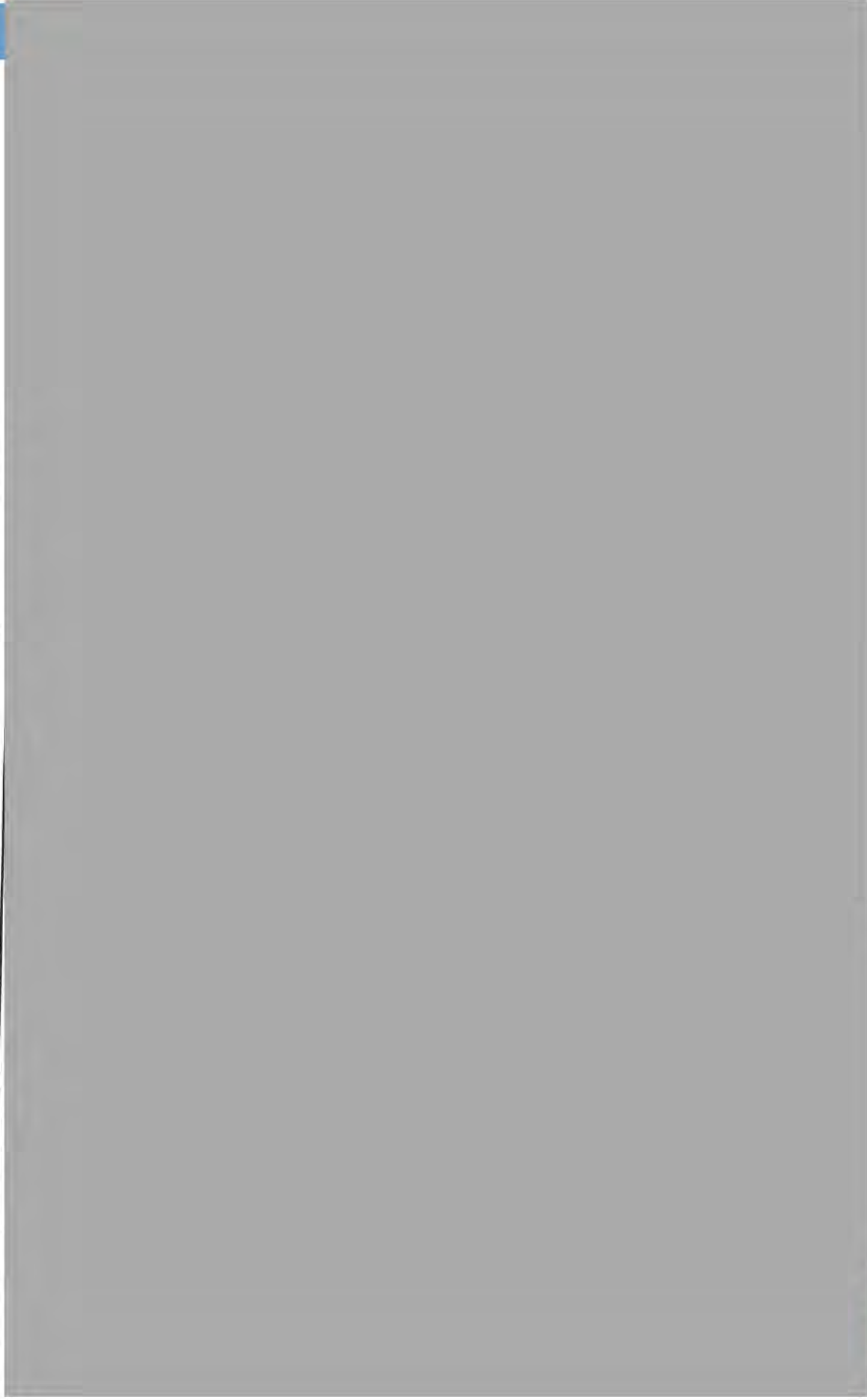
Debt market capacity for each asset – bank debt

4B



Debt market capacity for each asset – capital markets

4B



Acquisition facilities – market capacity

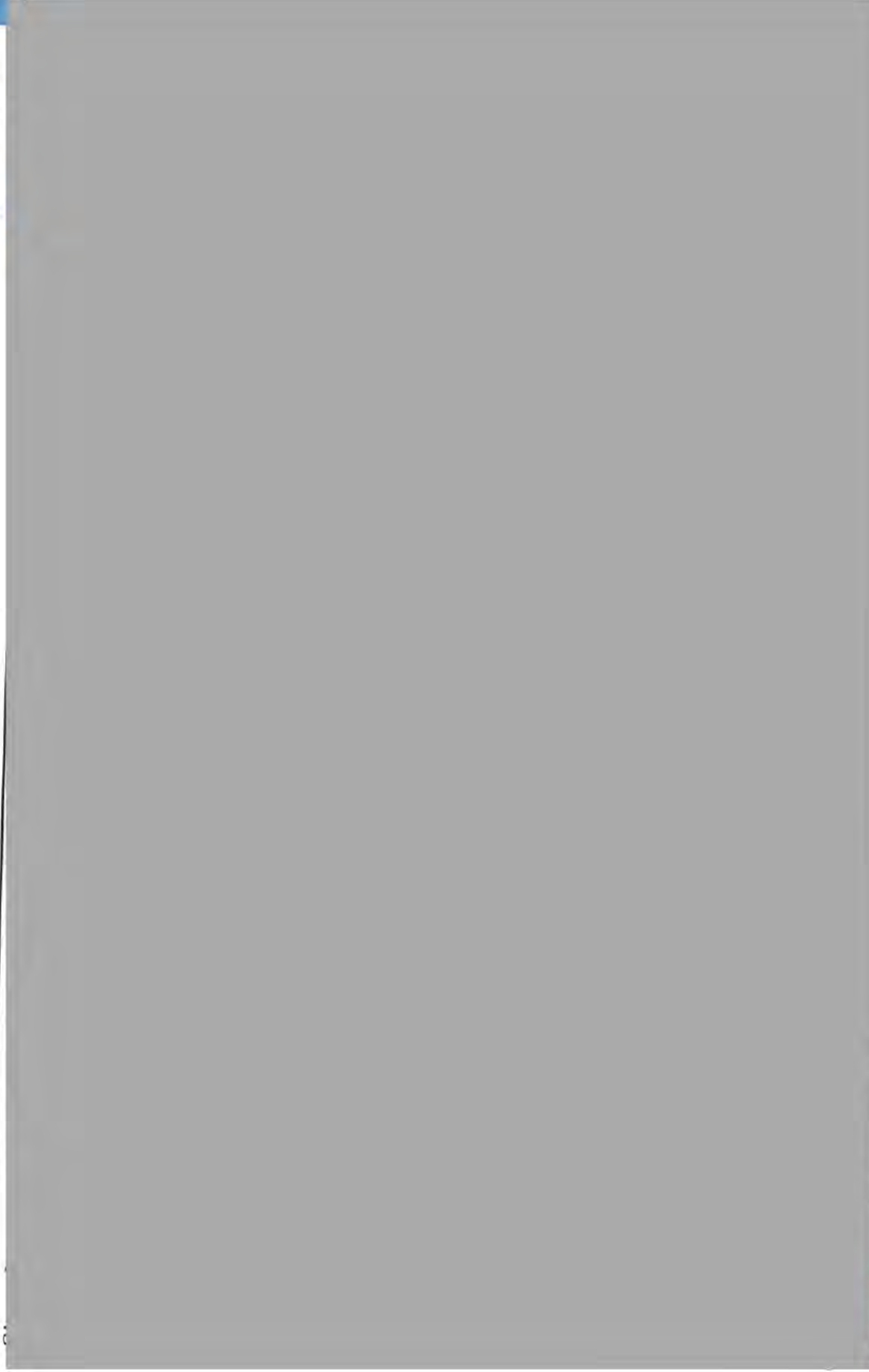
4B



Acquisition facilities – Ausgrid



4B



Source: UBS estimates
Notes: 1. [redacted]

Original

Acquisition facilities – TransGrid and Endeavour



4B



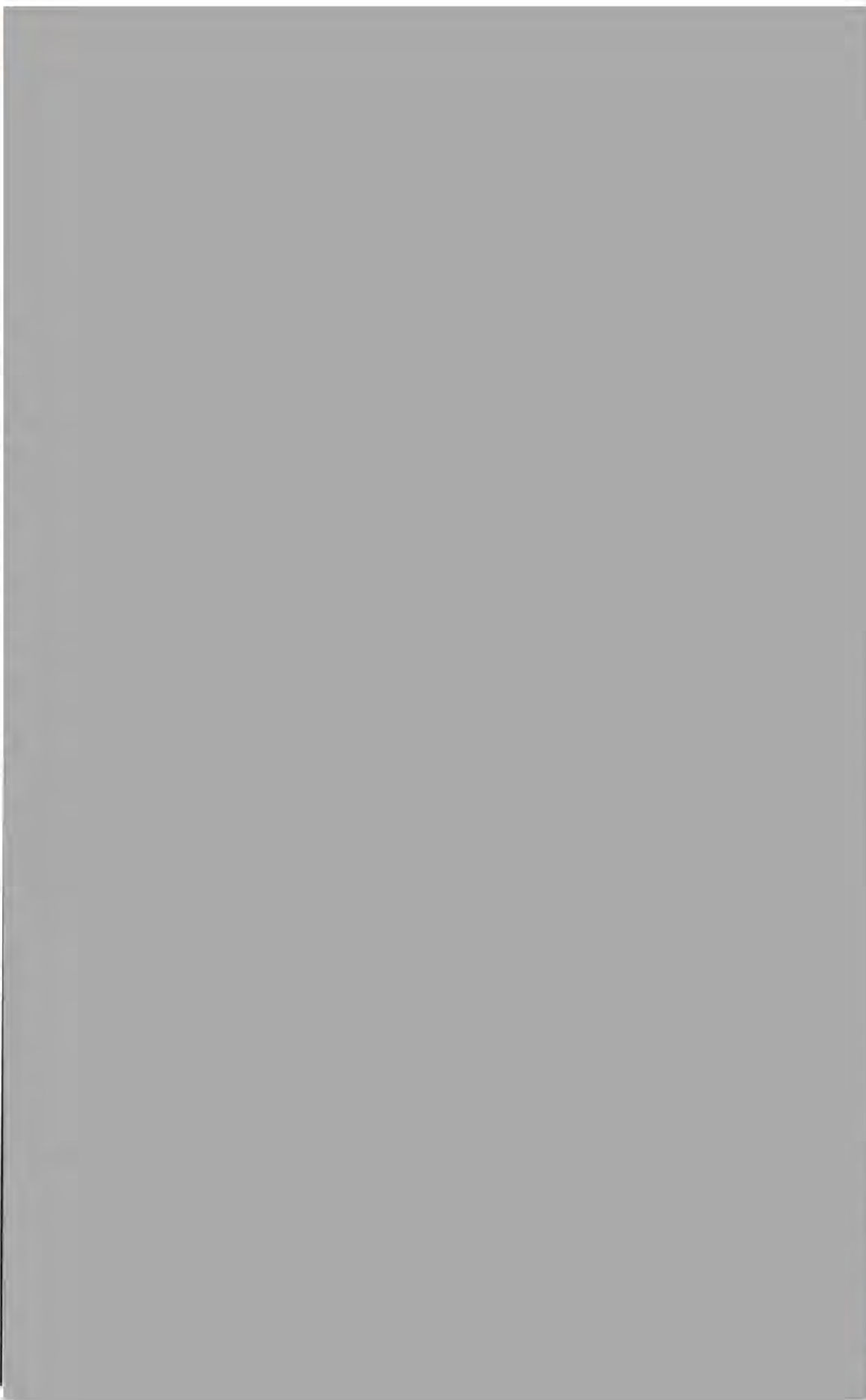
Section 4.C

Capital structure considerations

Optimal long term capital structure

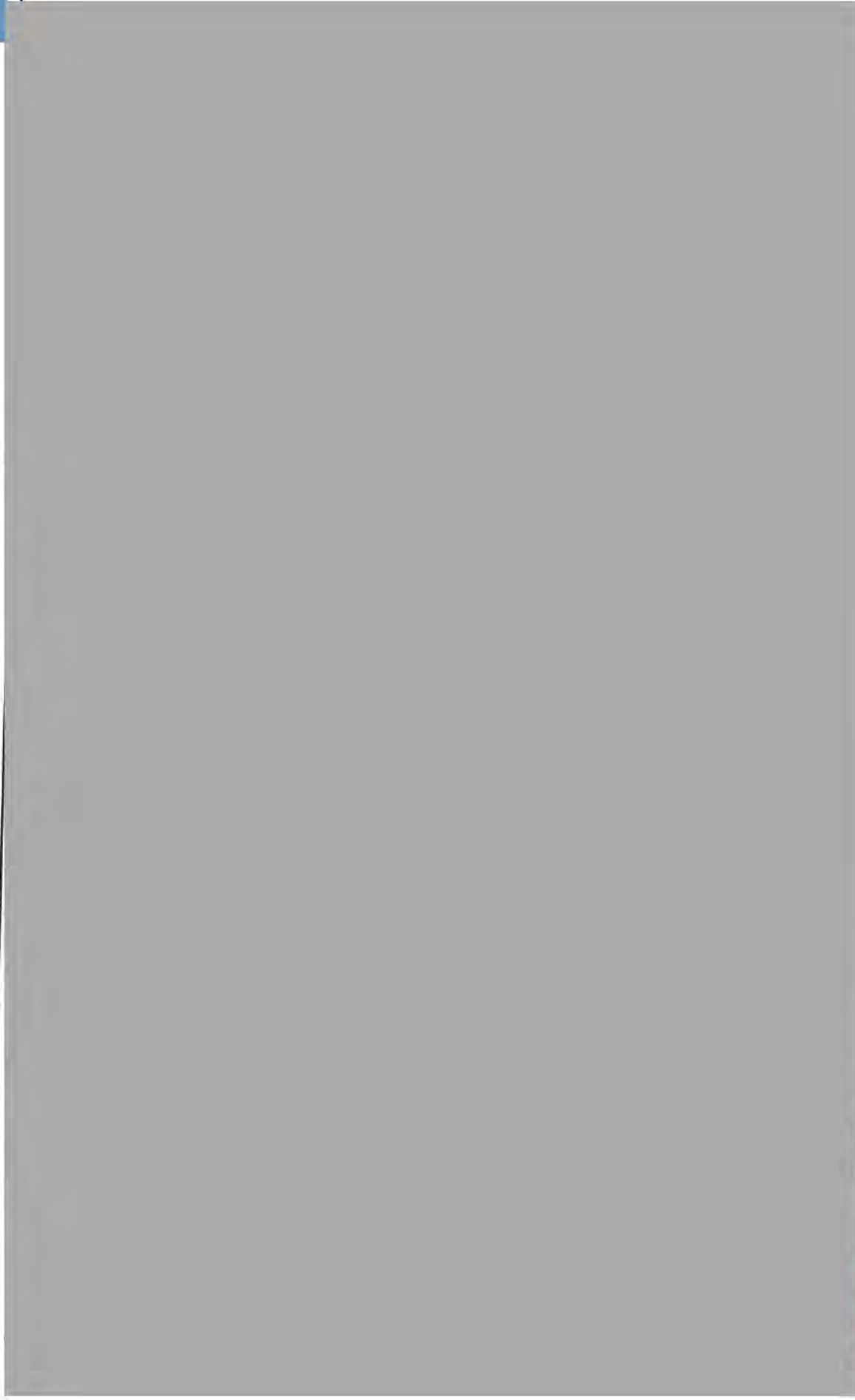
Overview of potential long term capital structure by asset

4C



Long term capital structure – peer benchmarking

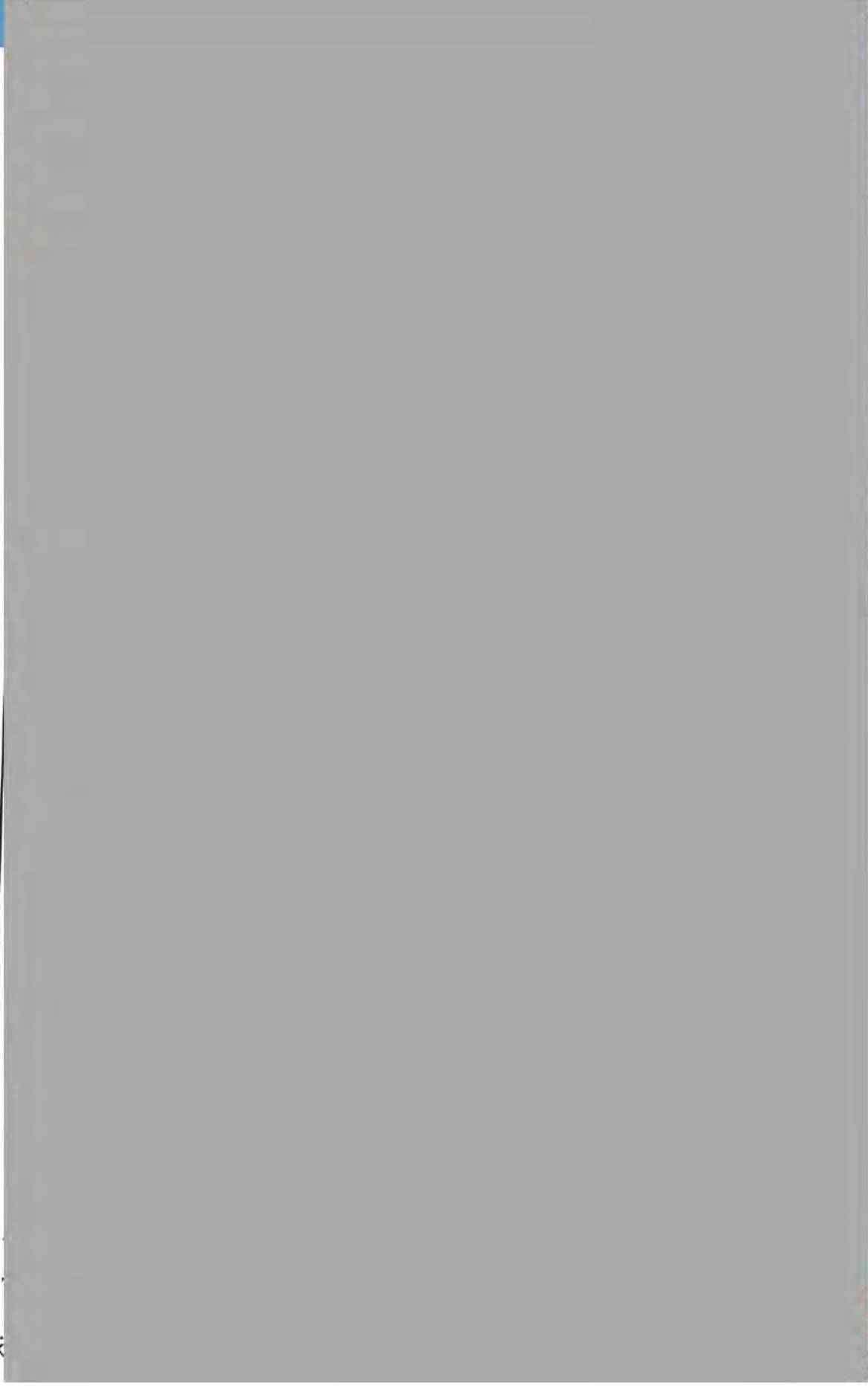
4C



Source: Bloomberg, Public filings

Original

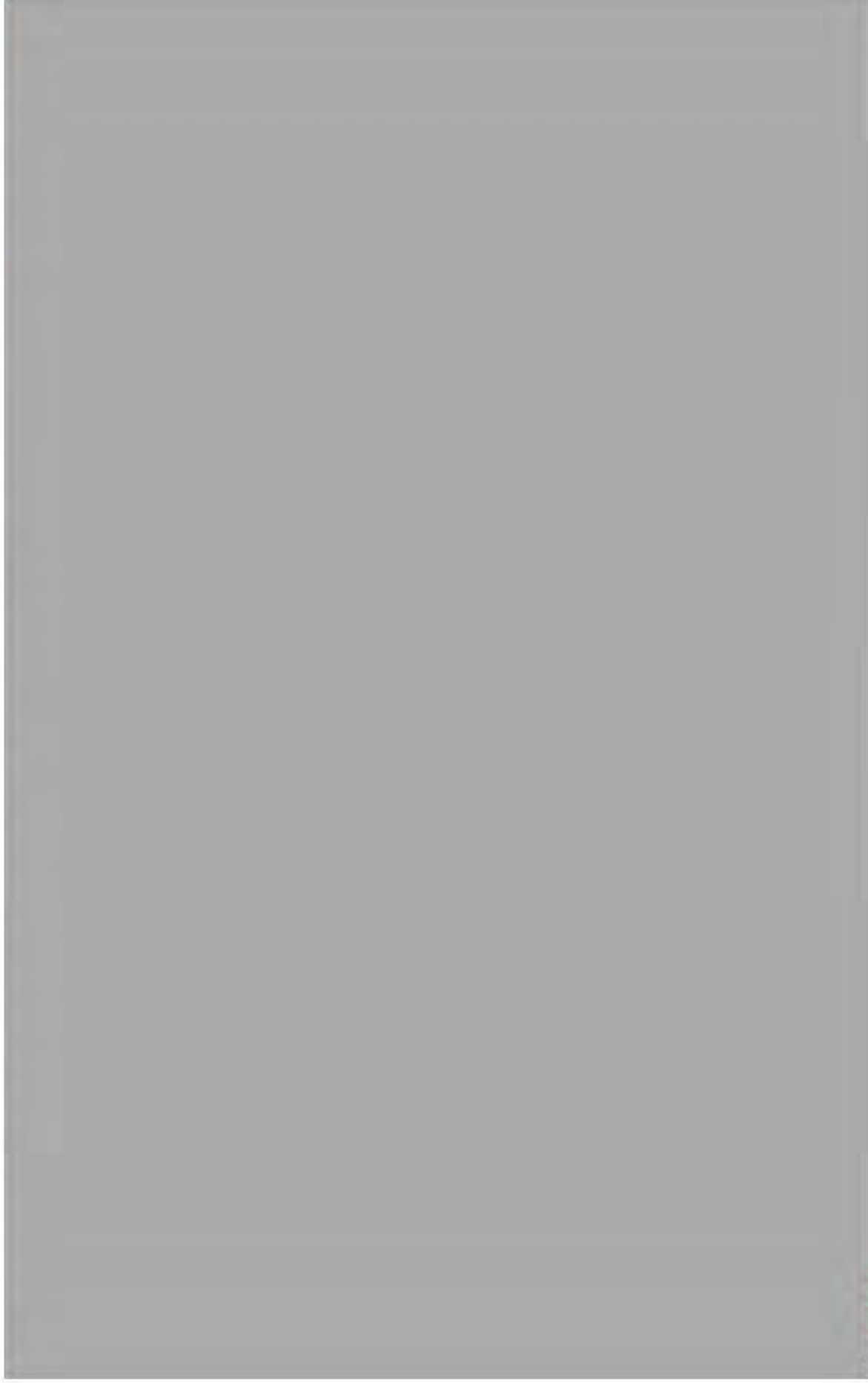
Long term capital structure – path to diversity



Long term capital structure – path to maturity



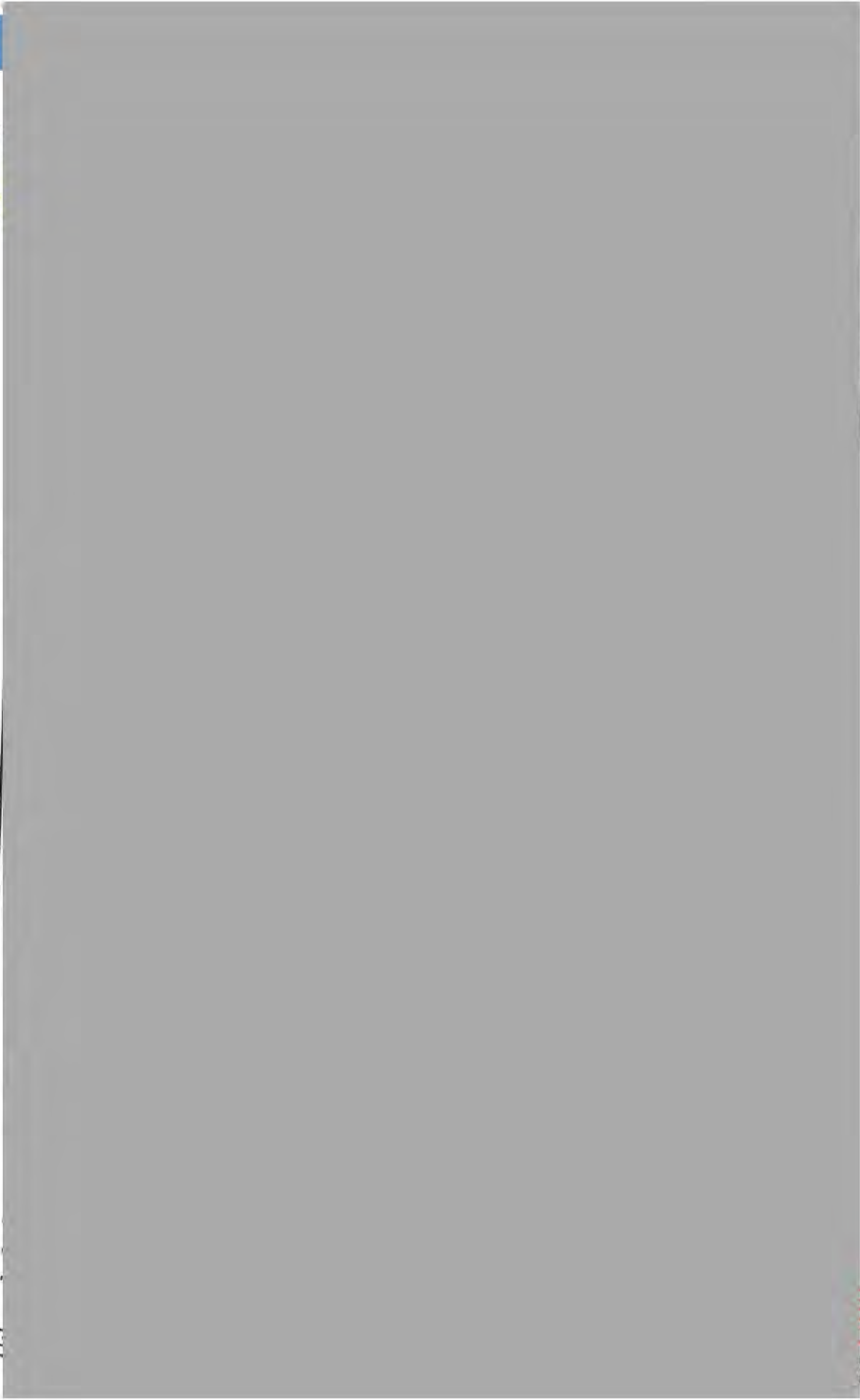
4C



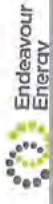
Long term capital structure – path to diversity



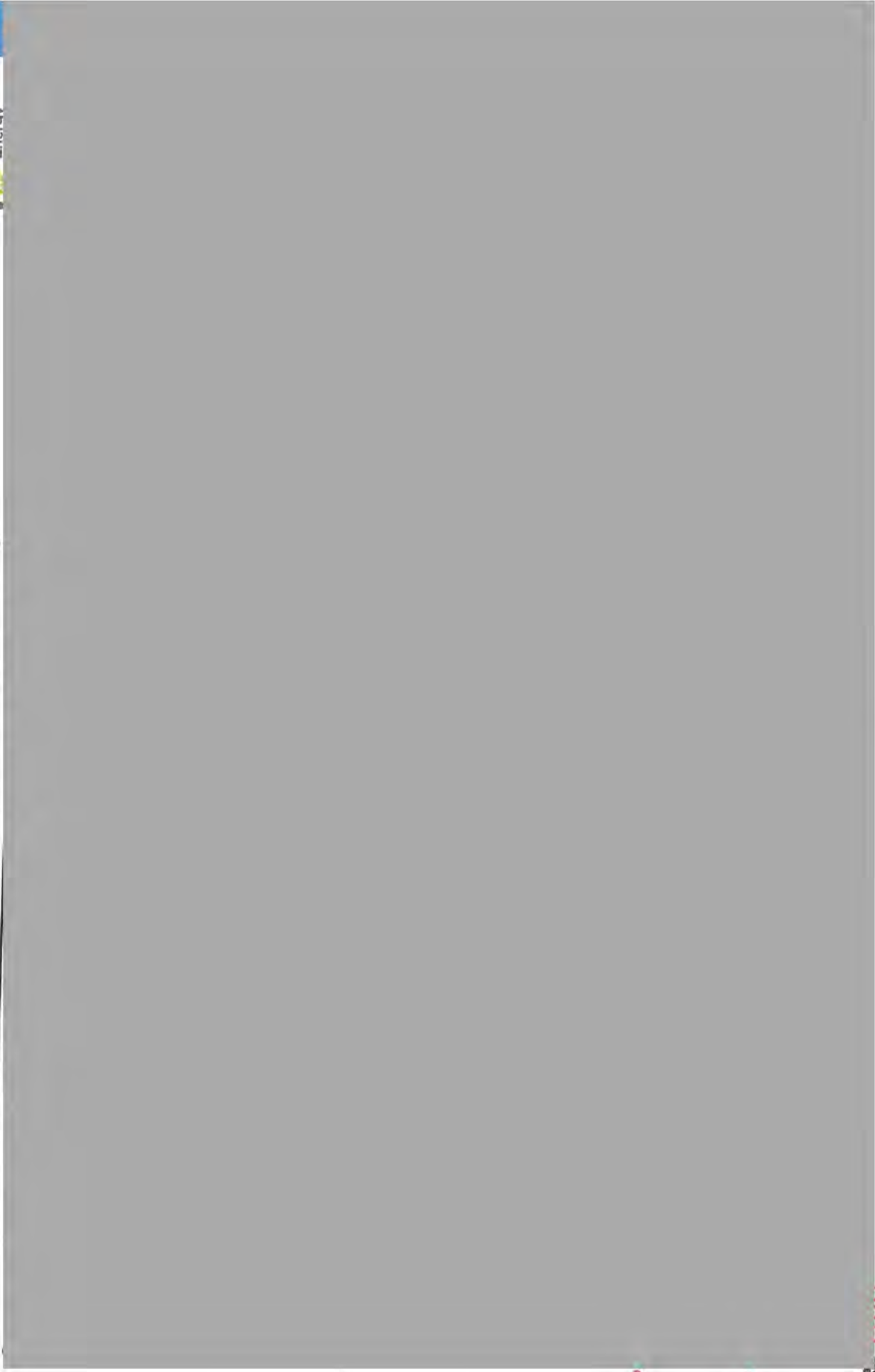
4C



Long term capital structure – path to maturity



4C



Original

Section 4.D

Capital structure considerations

Debt finance options available as part of the Transaction

Financing options for the transaction

4D

Original

Stapled finance package – external debt



Stapled finance package—State-backed bridge loan

4D

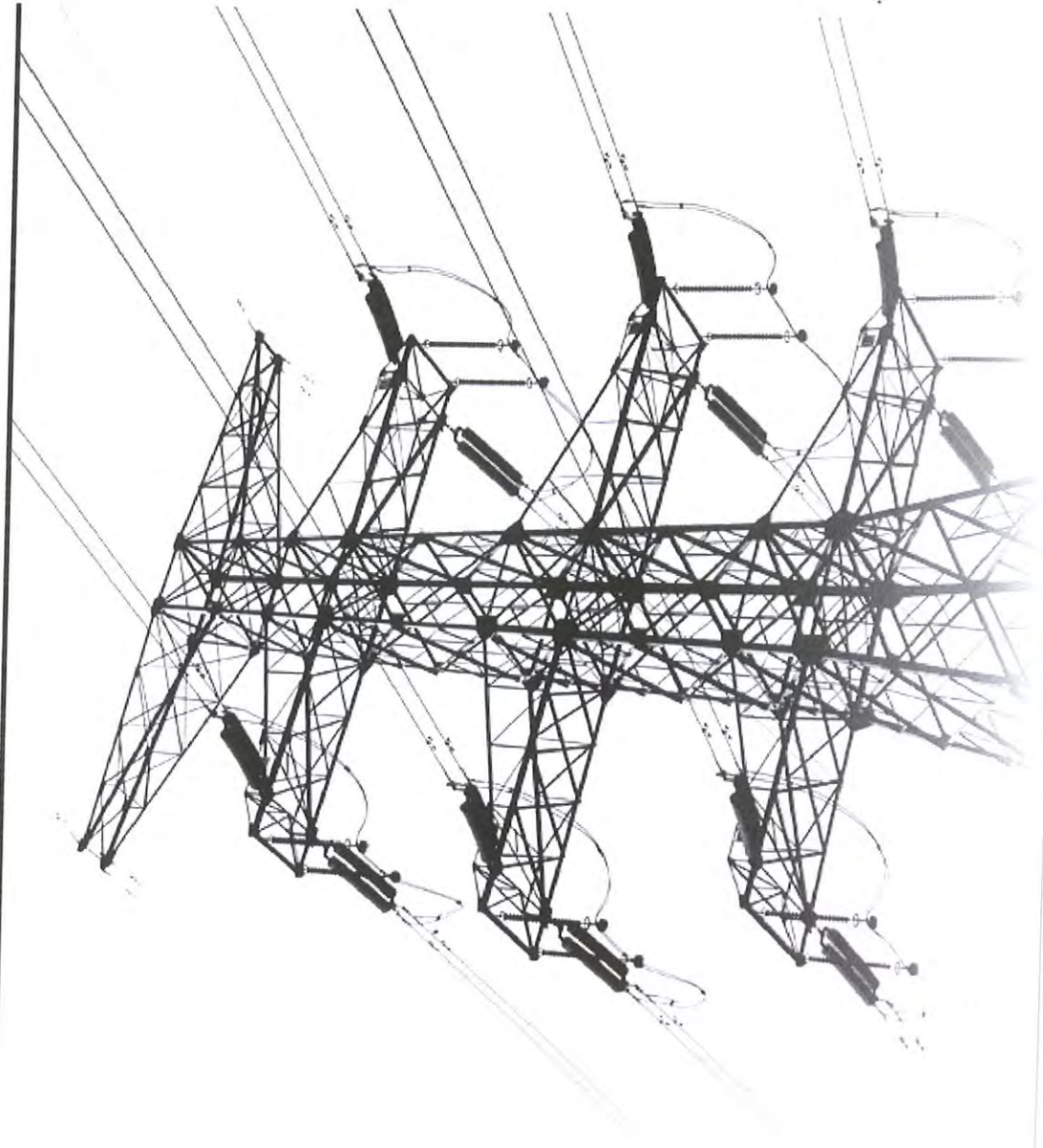
ity
nce

External finance prior to Transaction

4D

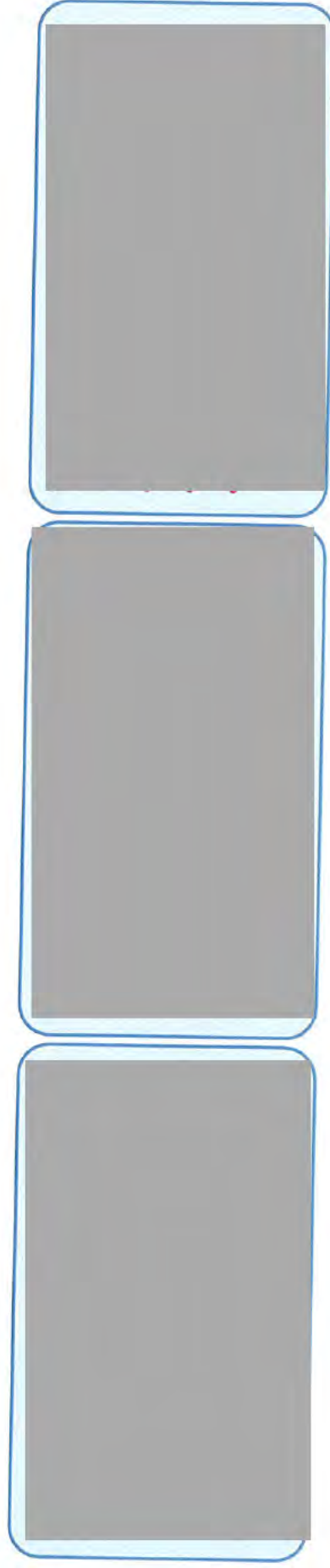
Section 5

Monetisation considerations



Section 5

Monetisation considerations



Section 5.A

Monetisation considerations

Which assets should be privatised?

Key monetisation considerations

5

Which assets should be privatised?

Section 5.B

Monetisation considerations

What percentage interest to lease?

What percentage interest to lease of each asset?

5B



Considerations in relation to State sell down amounts

5B

What percentage interest to lease of each asset?

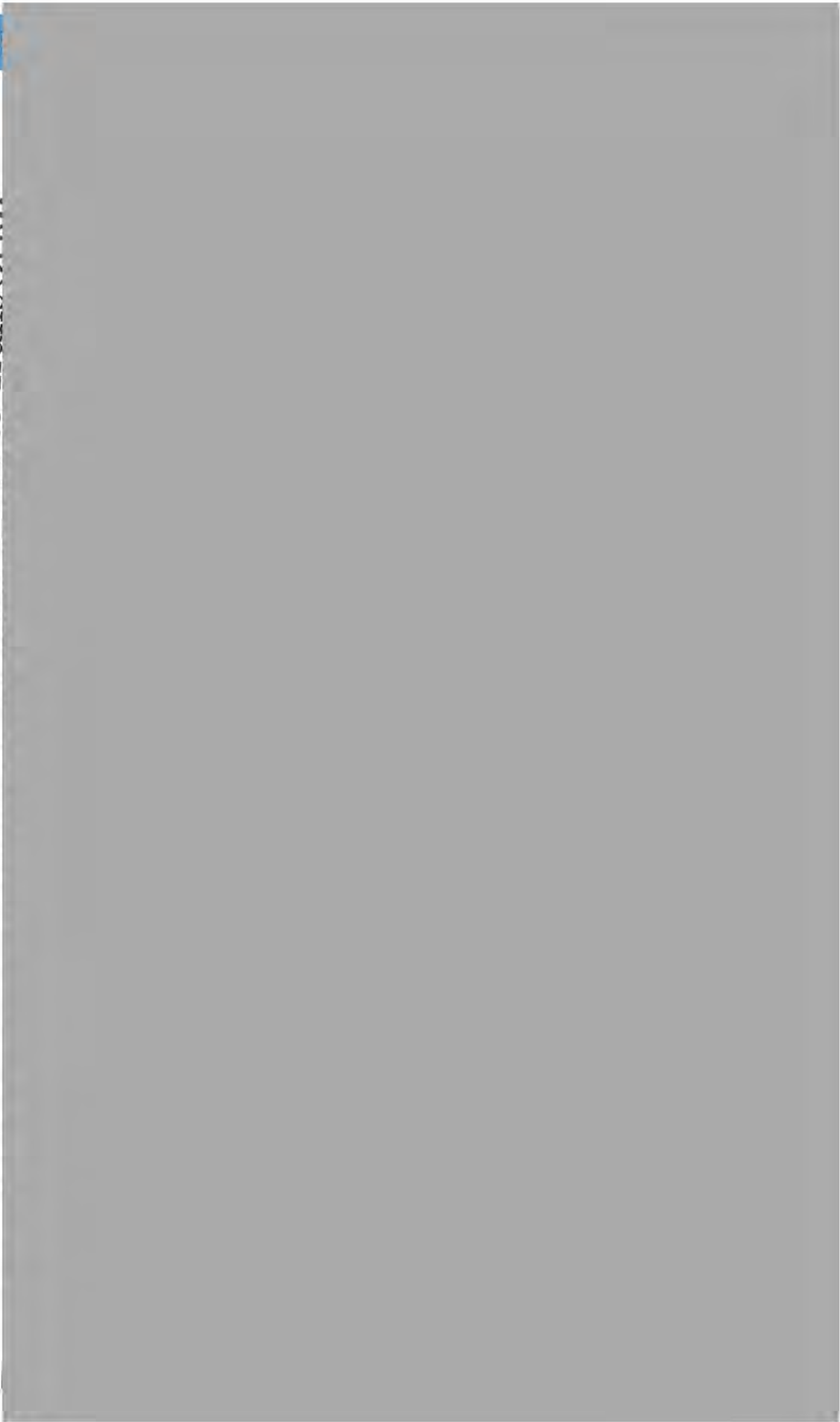
5B

What percentage interest to lease of each asset?

5B

Could Ausgrid's transmission assets be transferred to TransGrid?

5B



Can non-regulated assets be monetised before the formal process?

5B

What is the equity funding requirement?

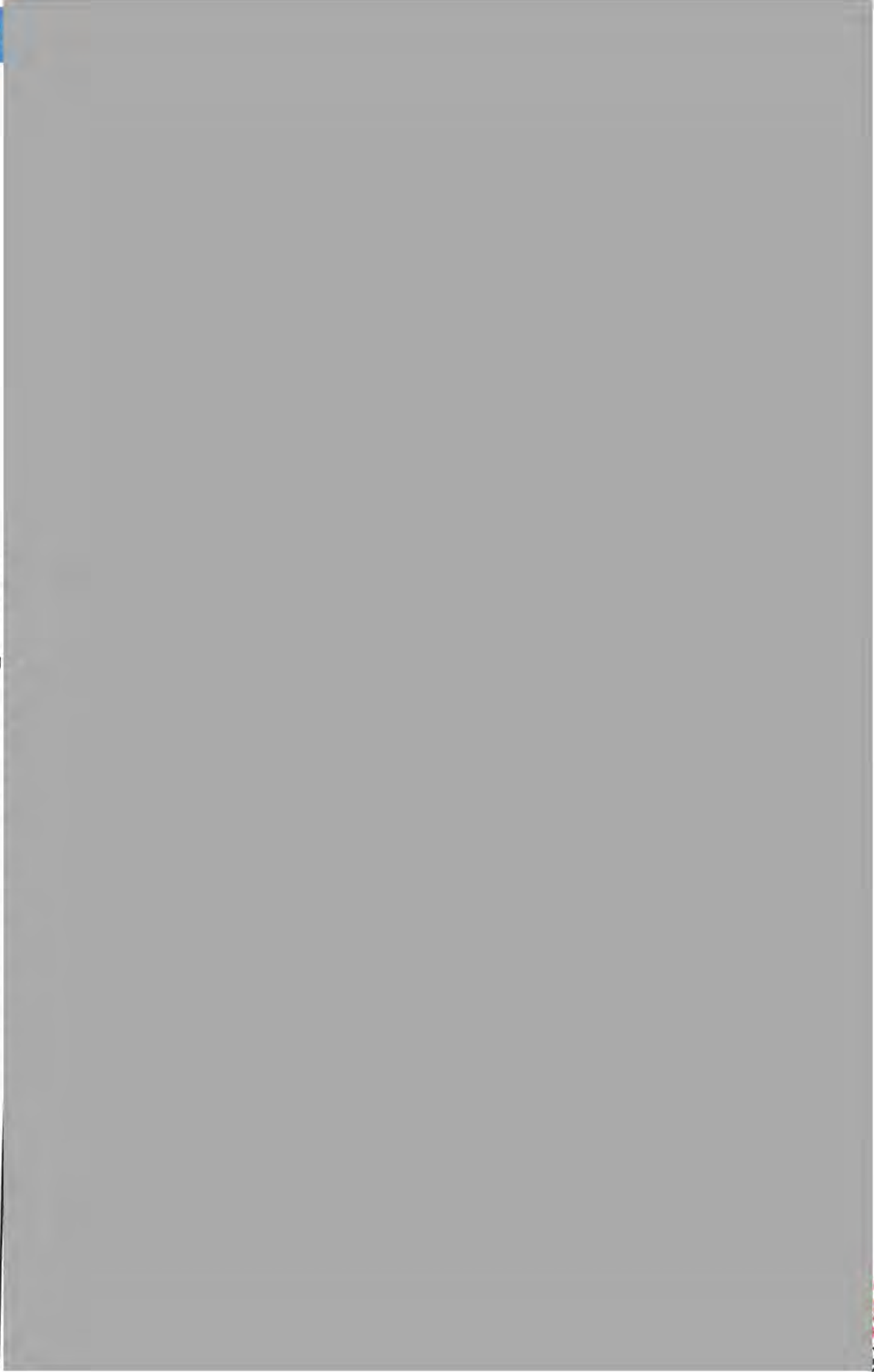
5B

Monetisation considerations

What is the appropriate monetisation structure?

What are the monetisation structure options?

5C

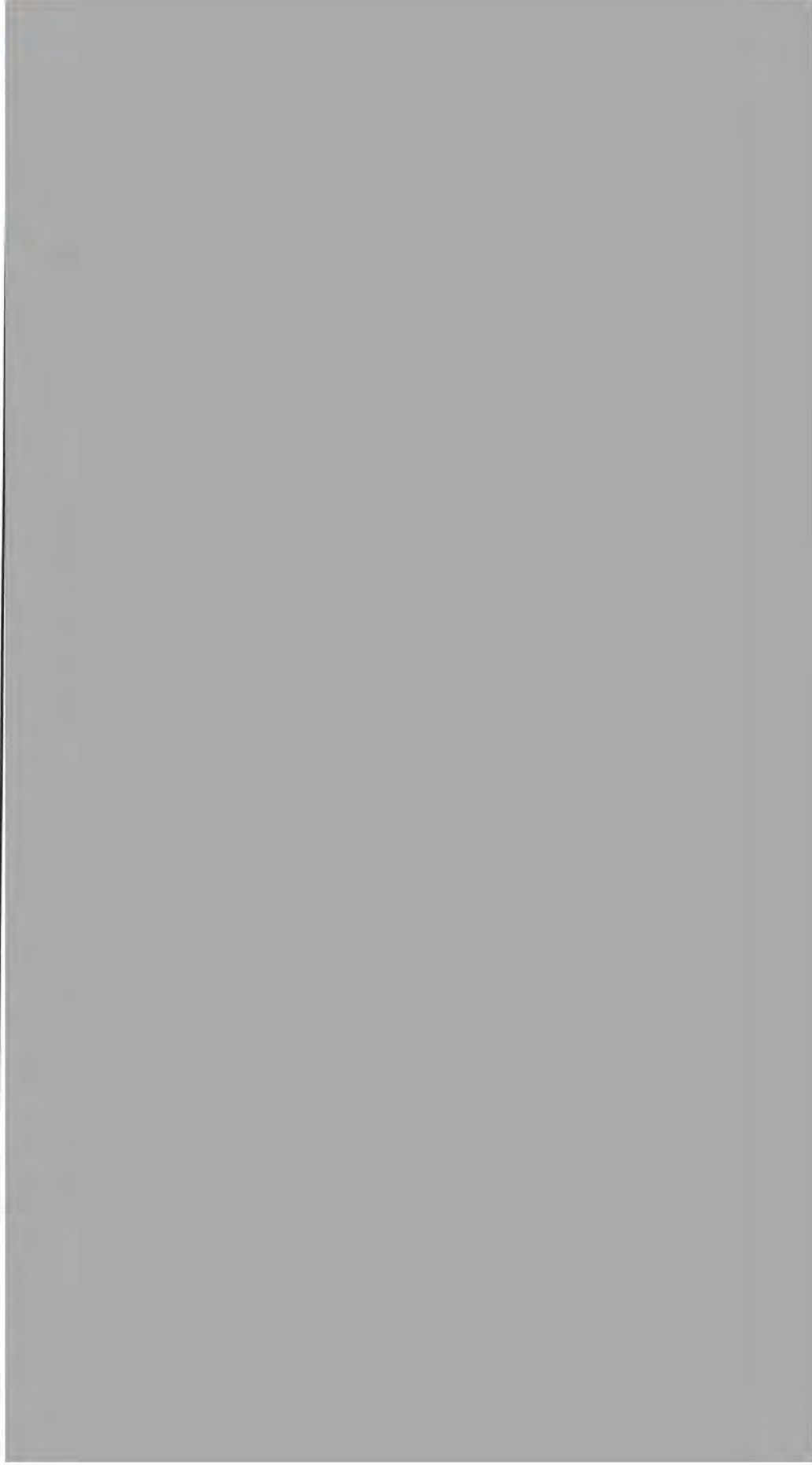


What is the appropriate monetisation structure?



TransGrid

5C

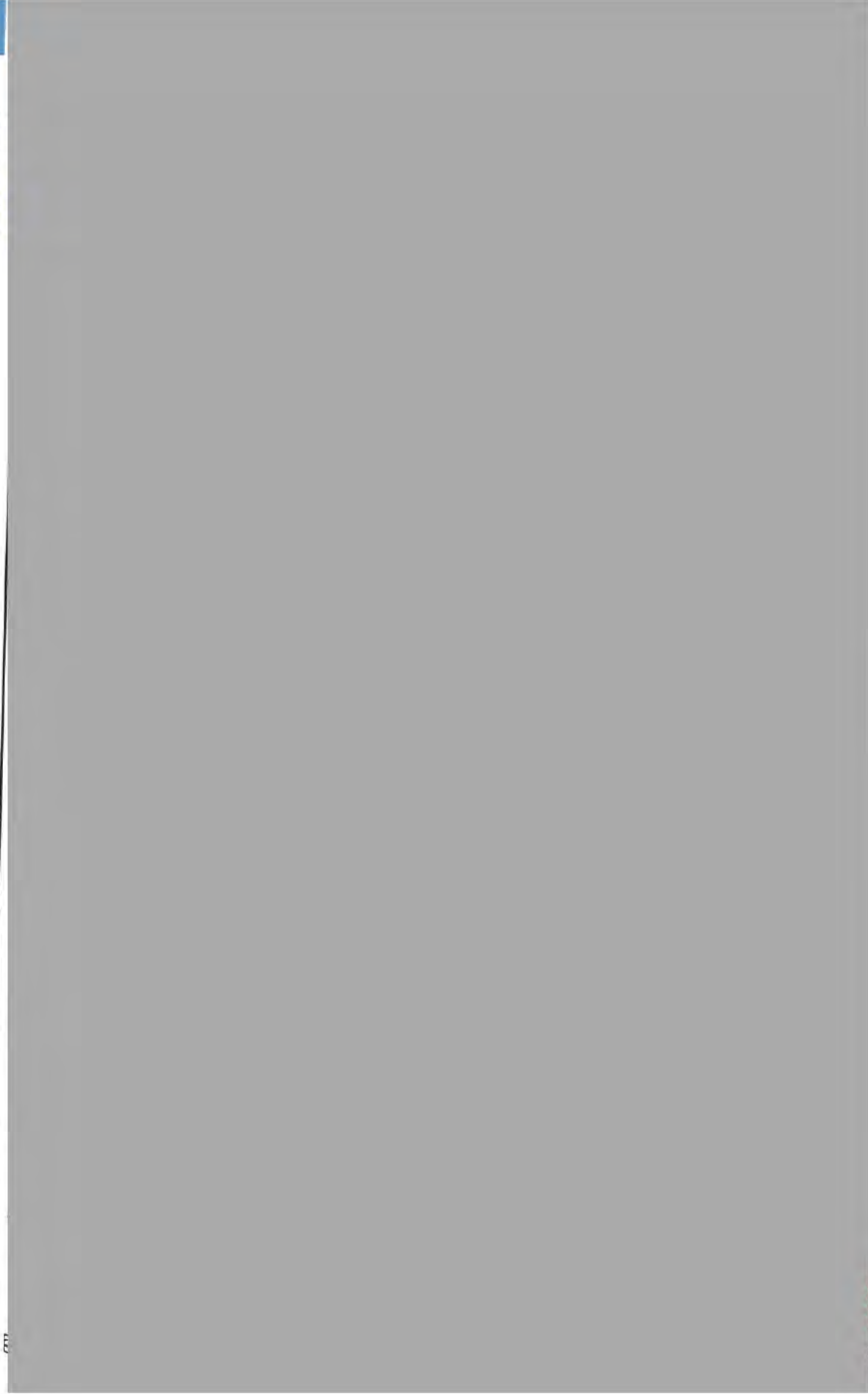


What is the appropriate monetisation structure?

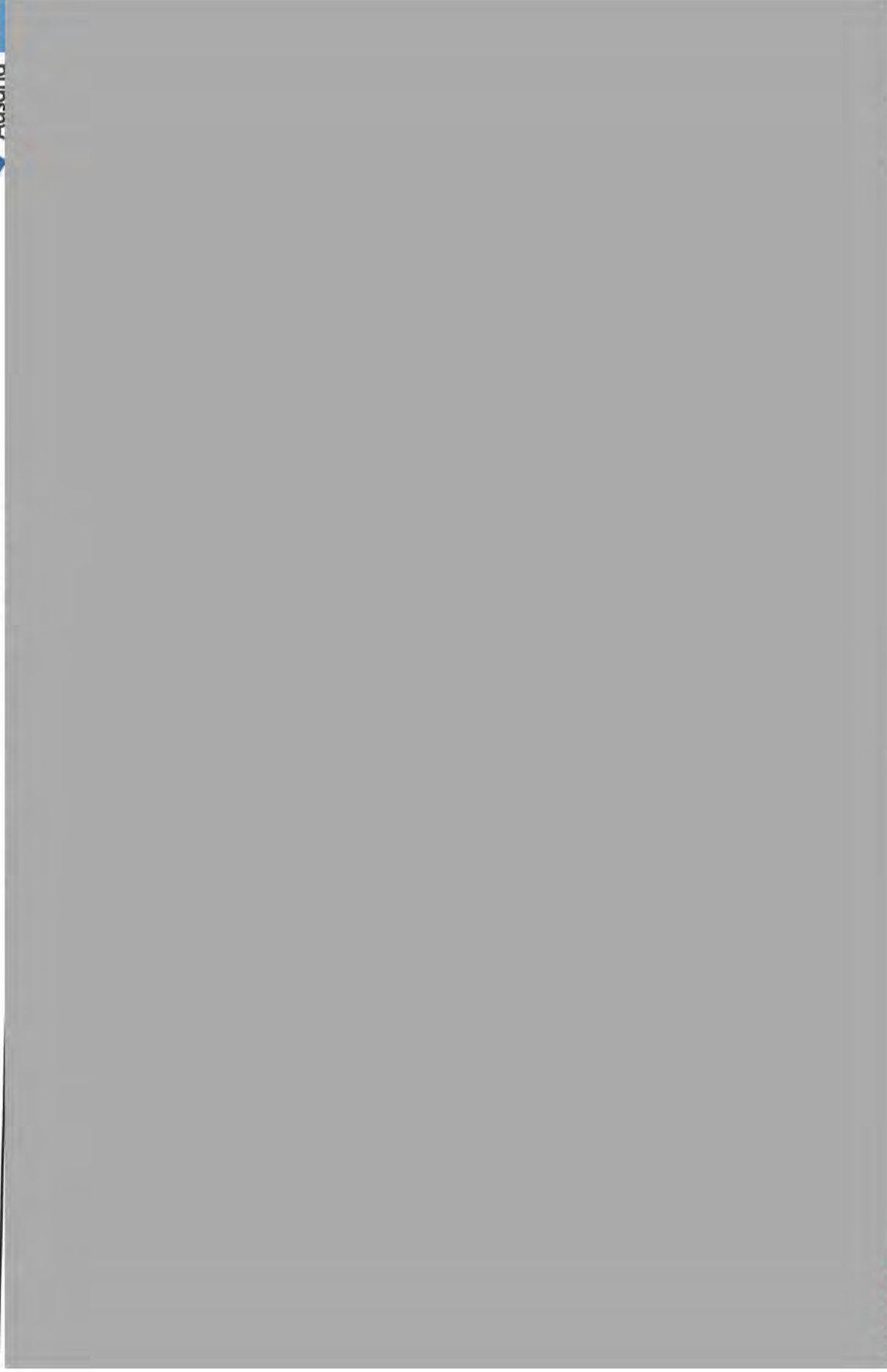


Endeavour
Energy

5C

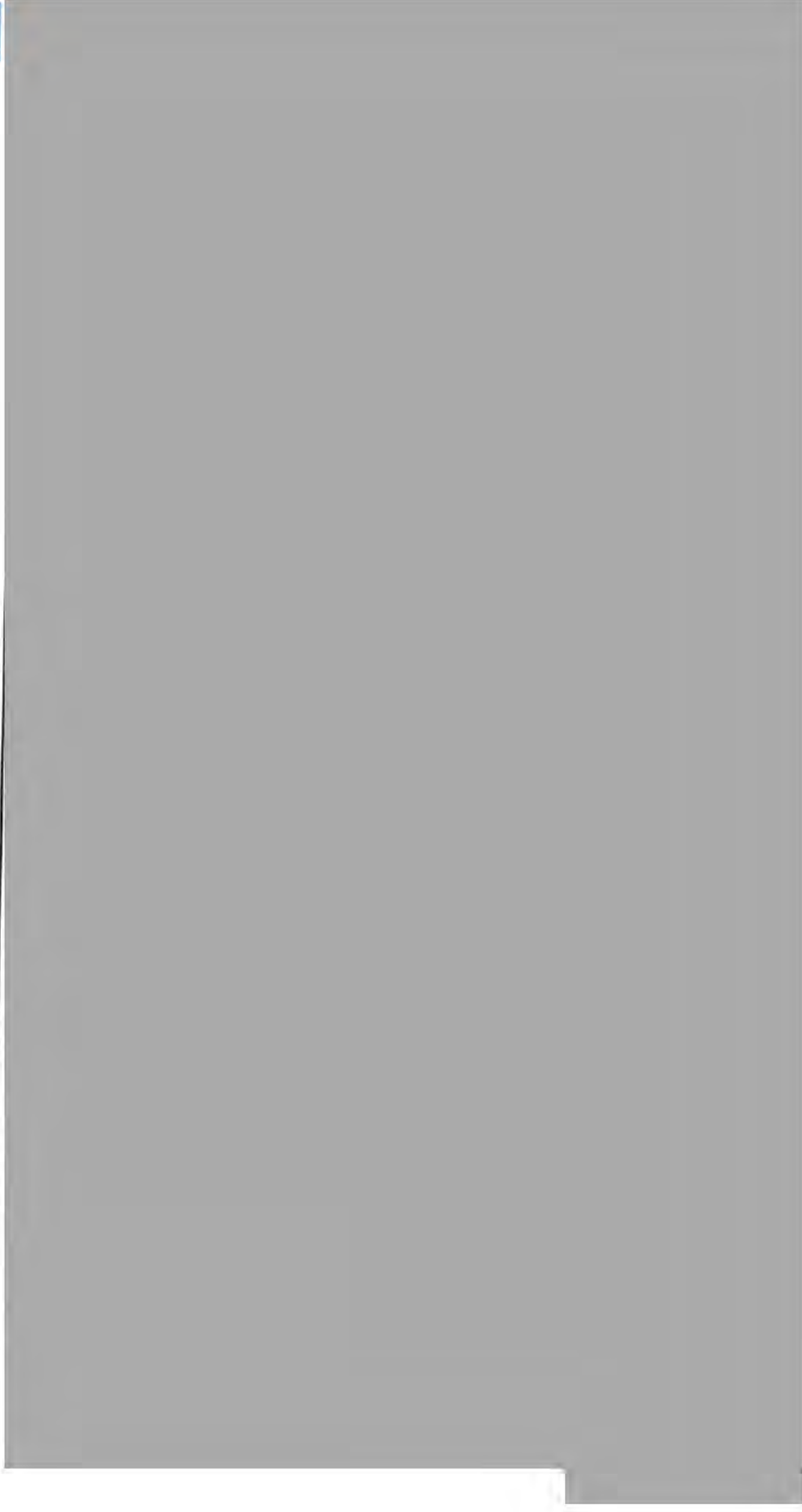


What is the appropriate monetisation structure?



Considerations around a dual track process

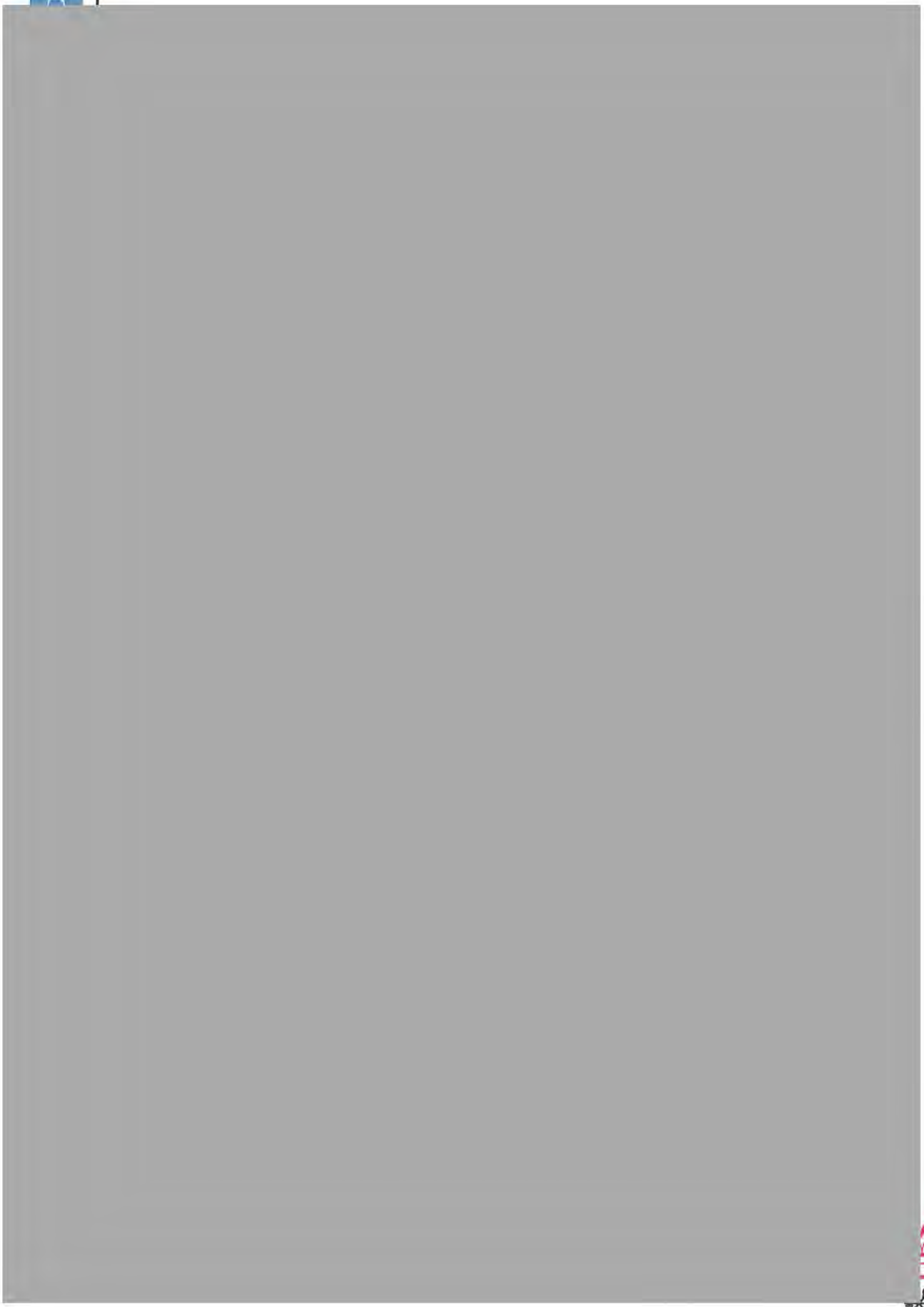
5C



Section 5.D

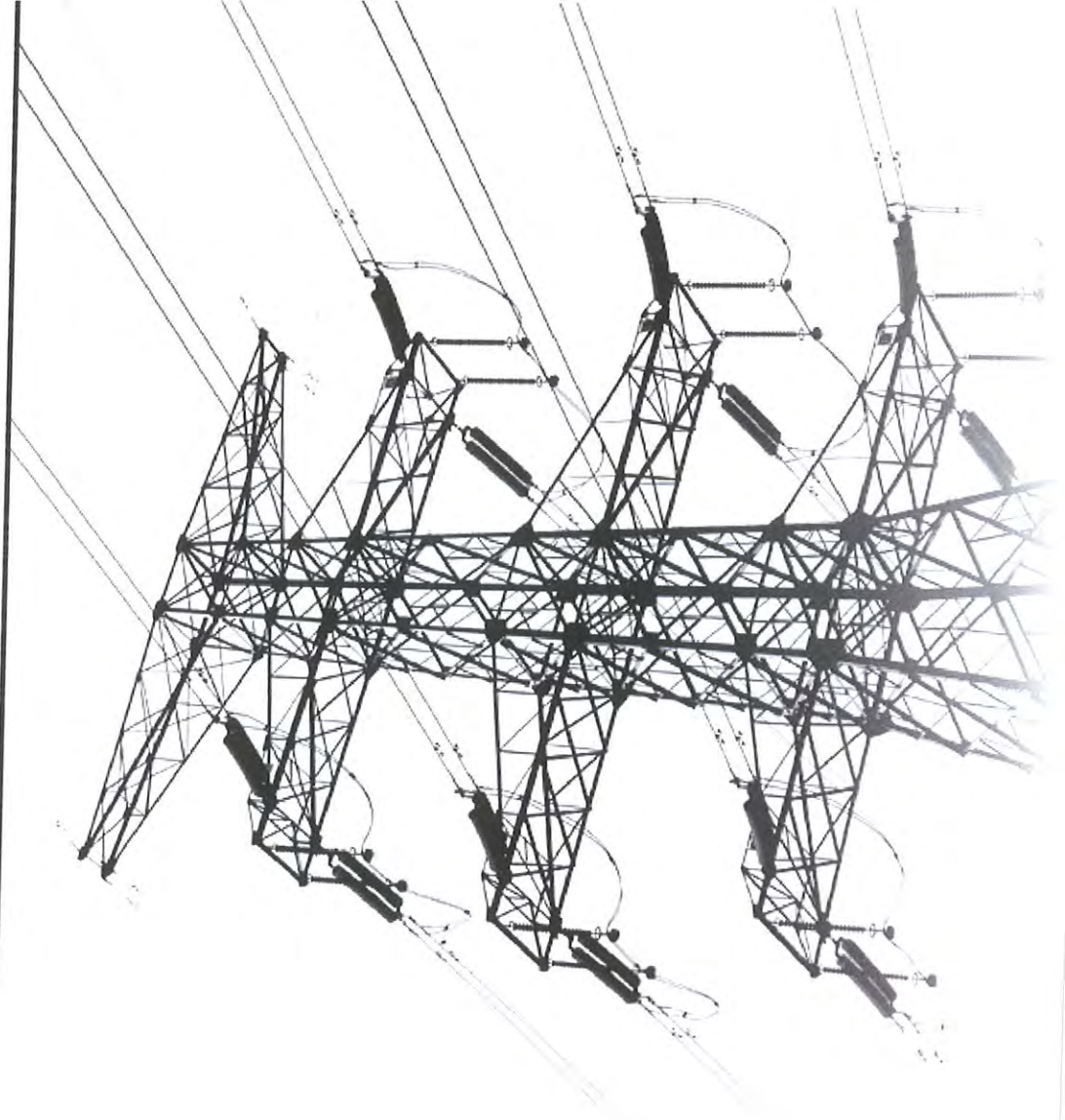
Monetisation considerations

What is the right sequencing?



Section 6

Intentions for the State's retained interests



Section 6

Intentions for the State's retained interests

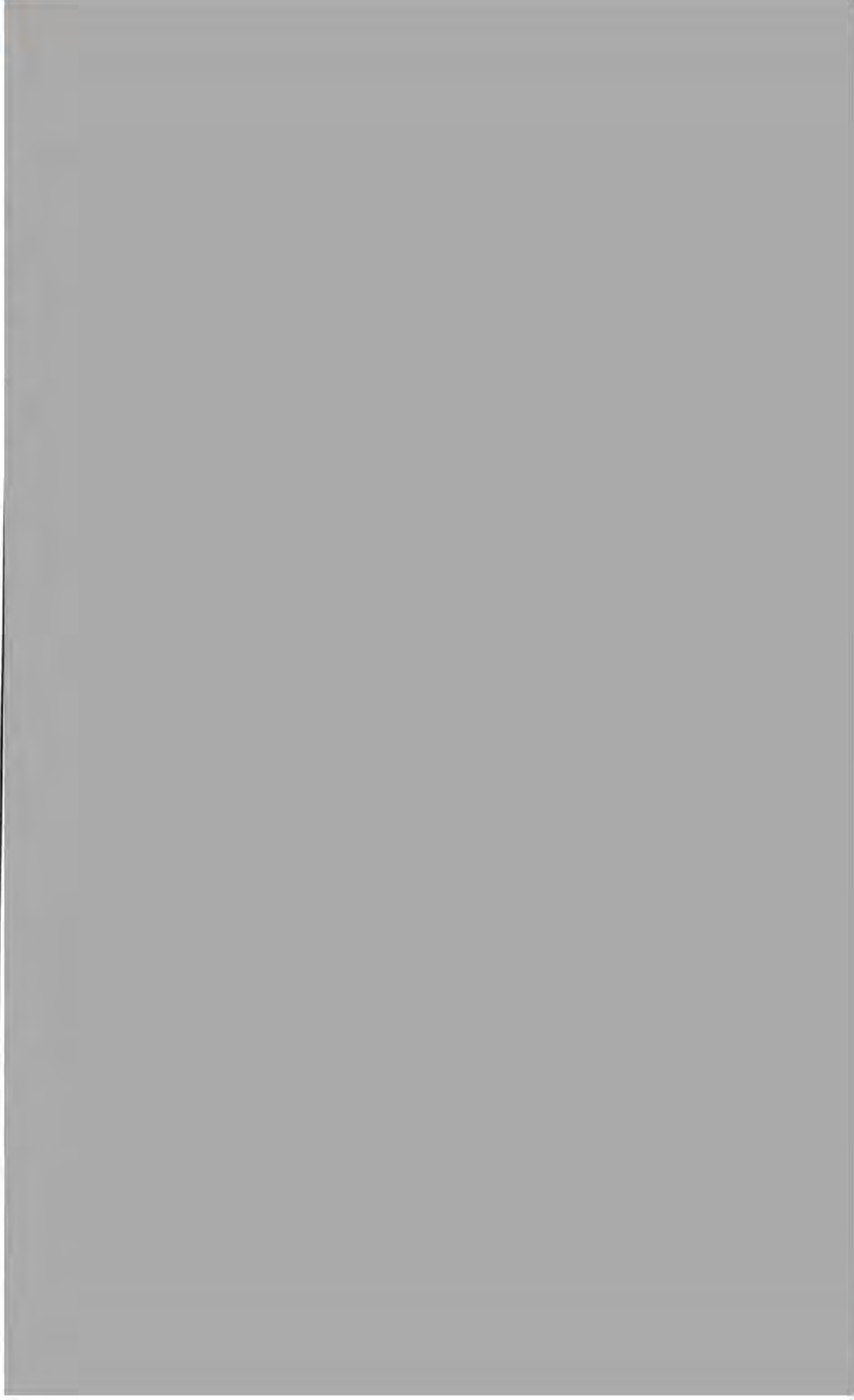
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How to deal with retained State interests?

6

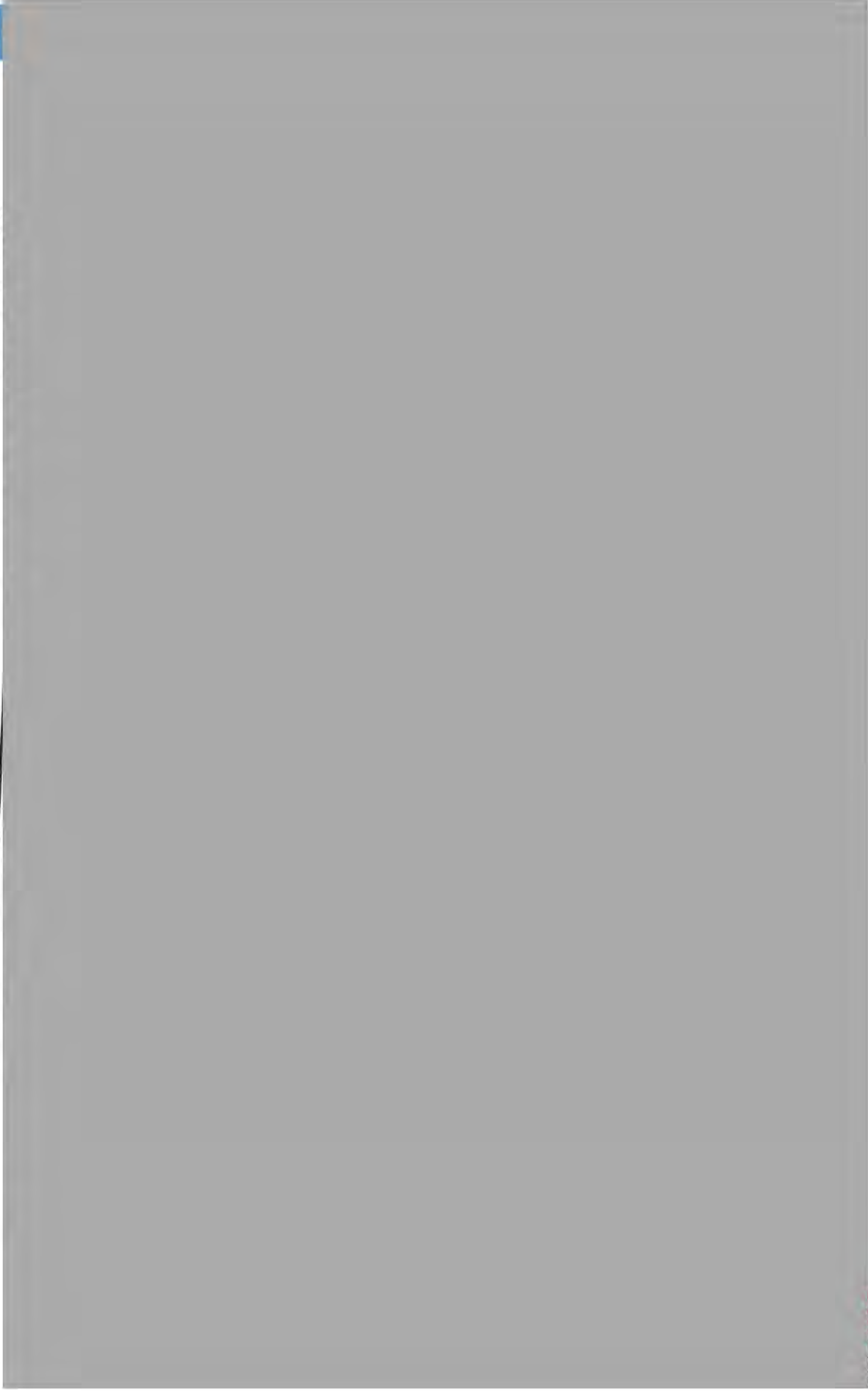
Governance arrangements – what are the market standard terms?

6A



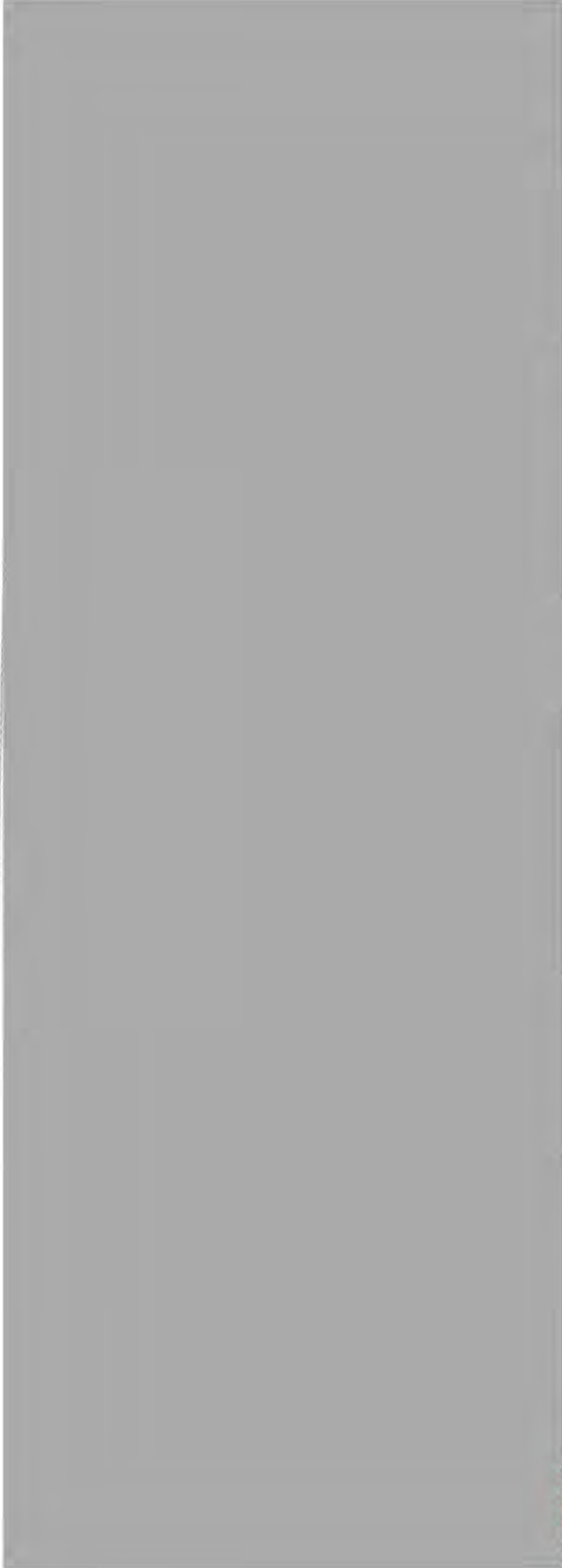
Managing retained interests – establishing a NSW Future Fund

6B



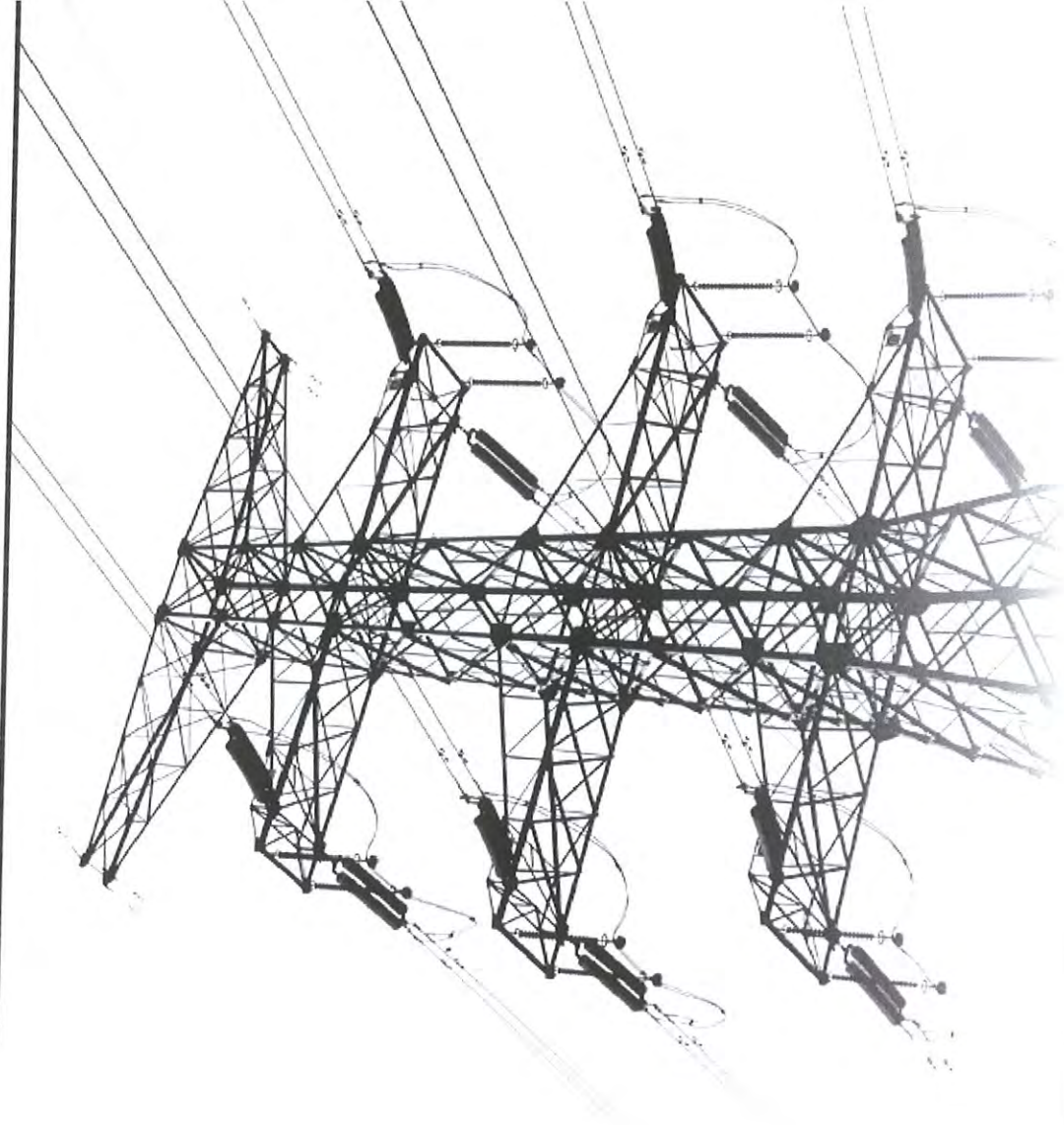
Future interest sell down considerations

6C



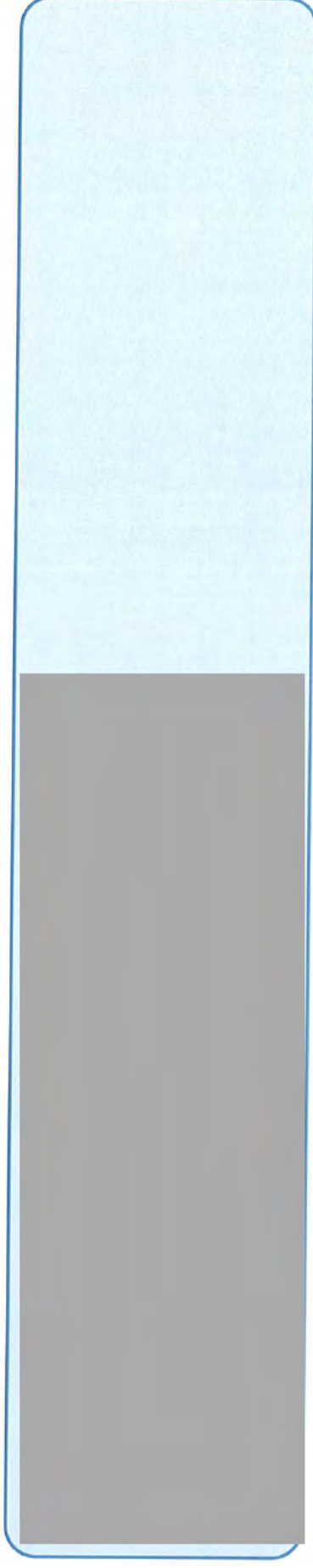
Section 7

Market appetite



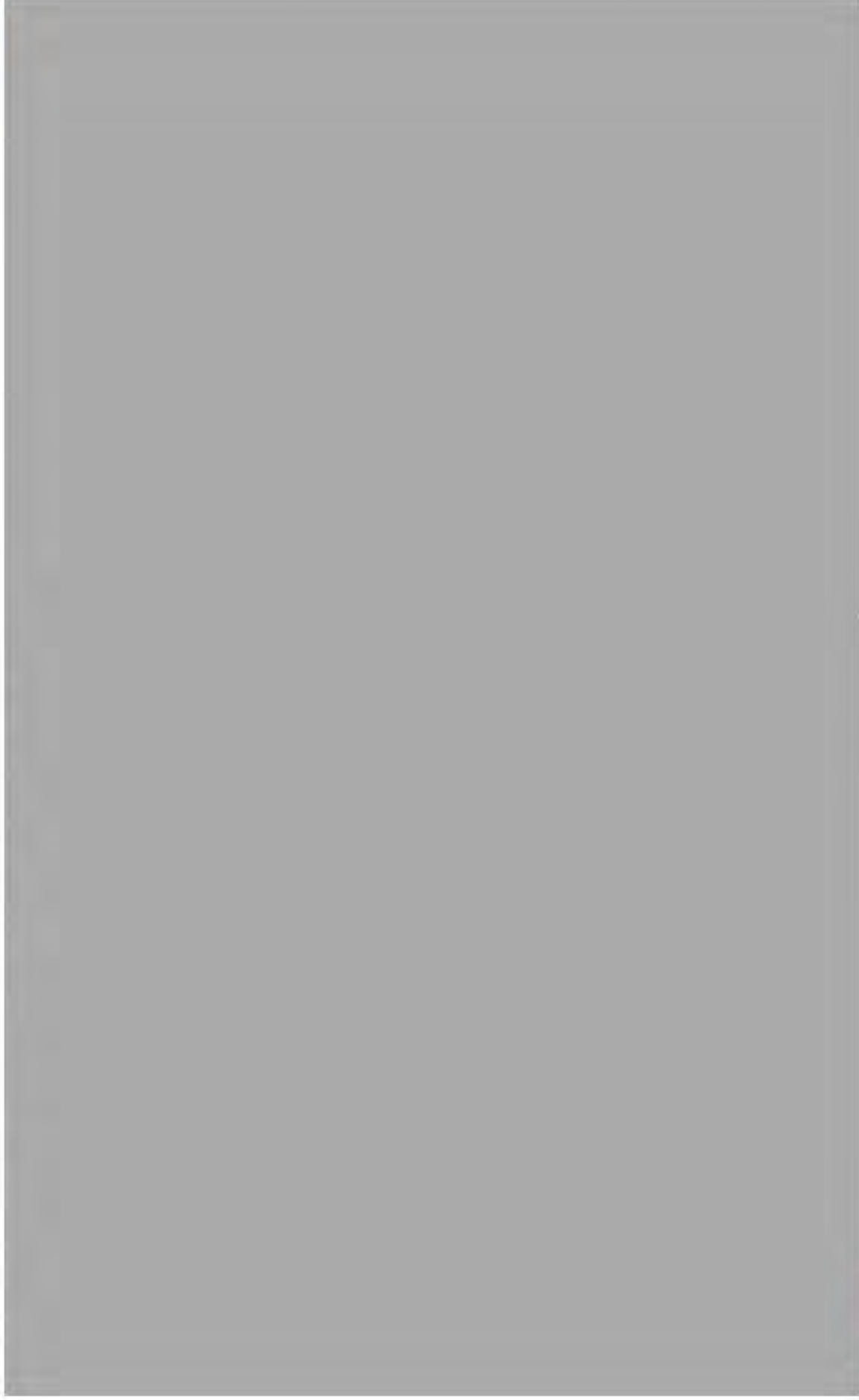
Section 7

Market appetite



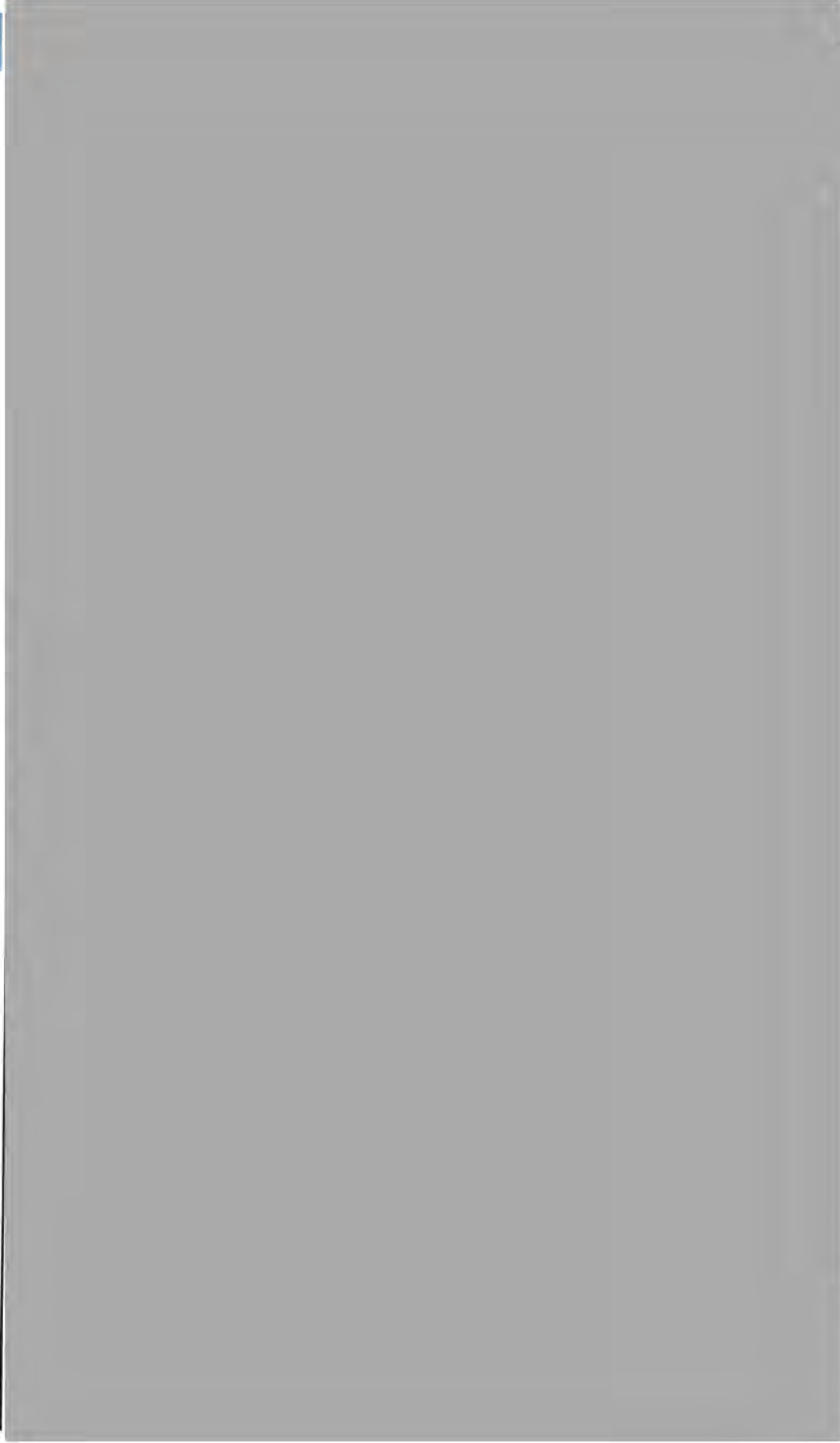
Understanding the likely approach of bidders

7A



Investor demand analysis – unlisted market

7B

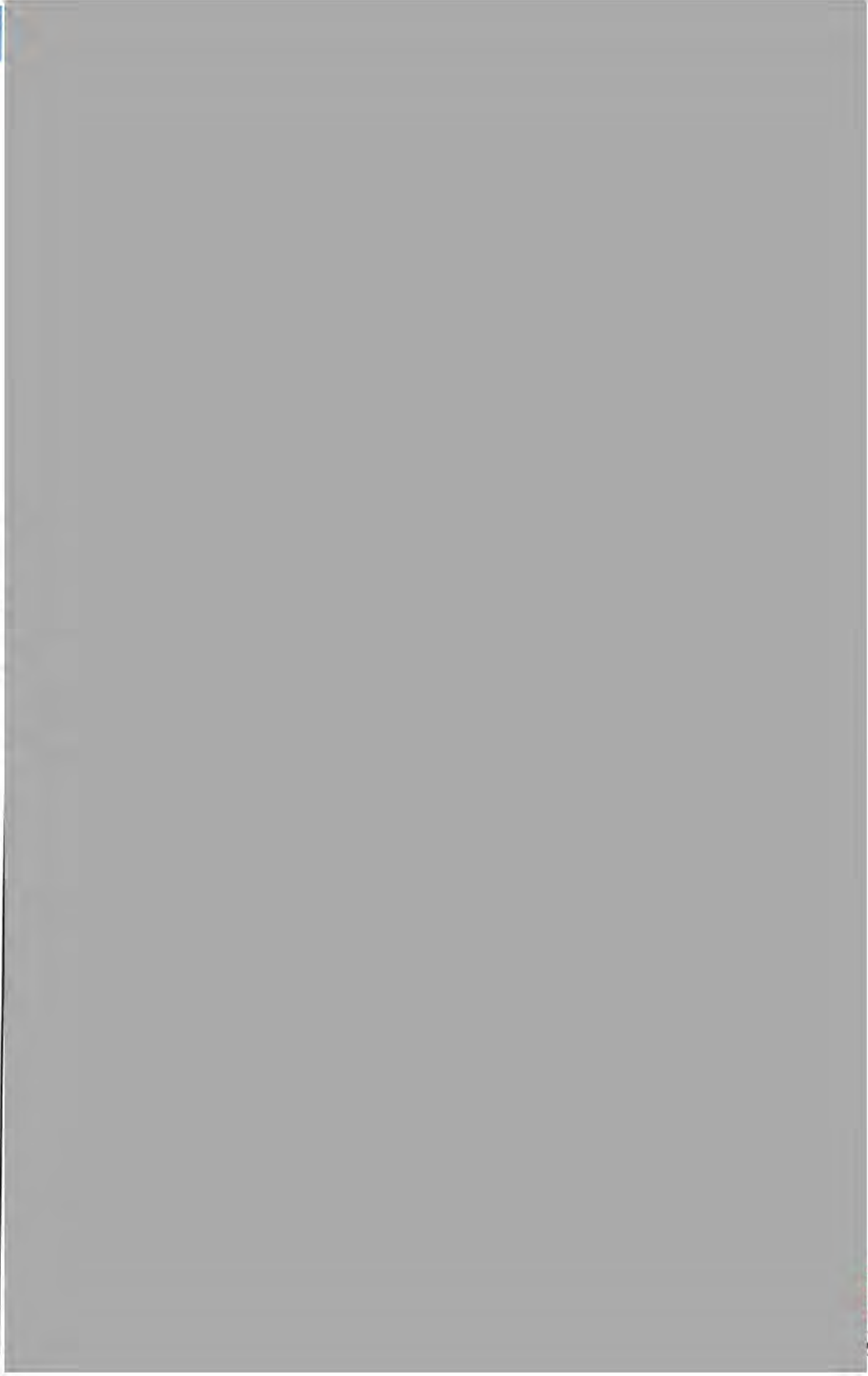


Unlisted investor demand analysis –

7B

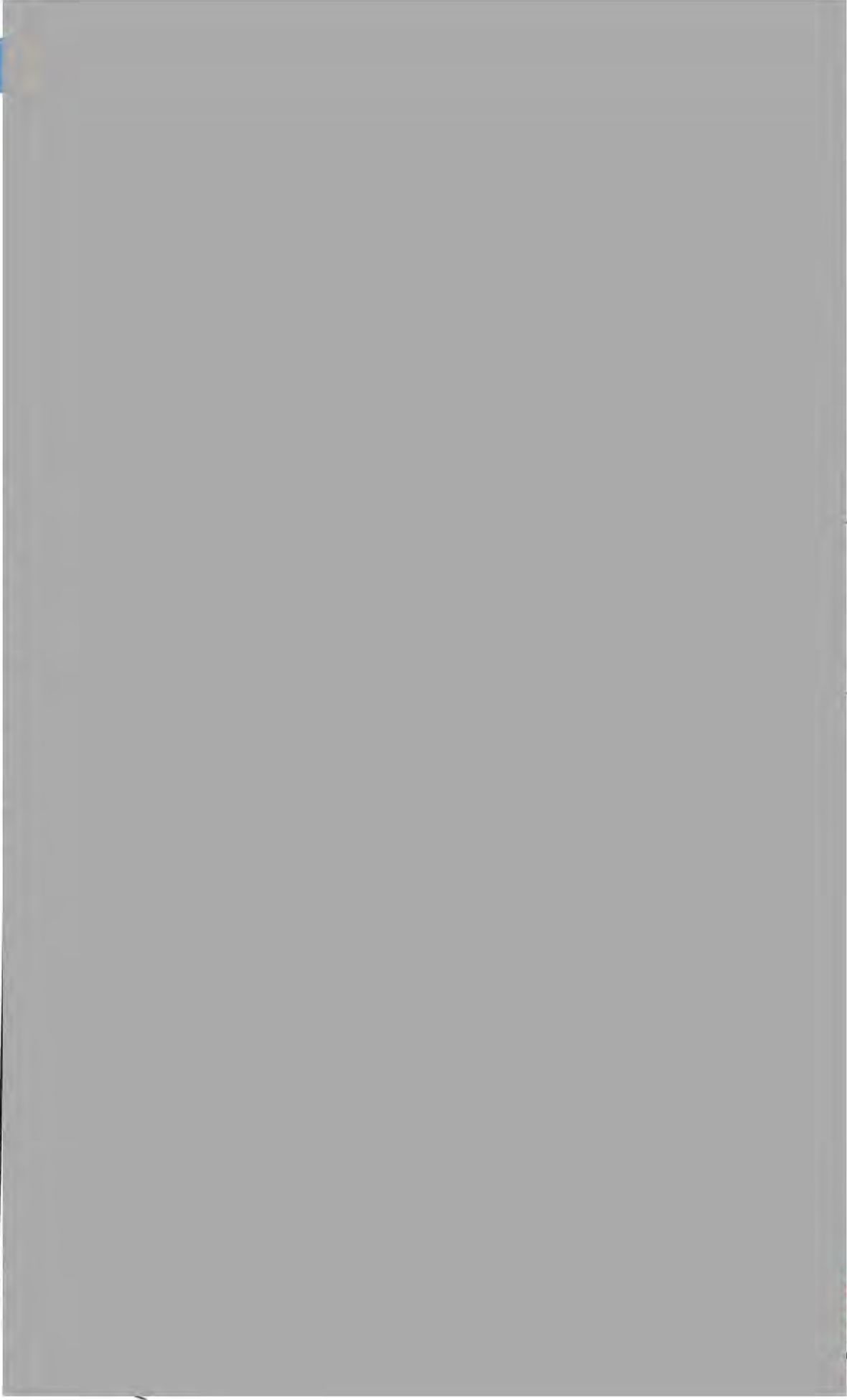
Attracting the most competitive equity capital

7B



What could potential unlisted consortia look like?

7C



Unlisted investor demand analysis –

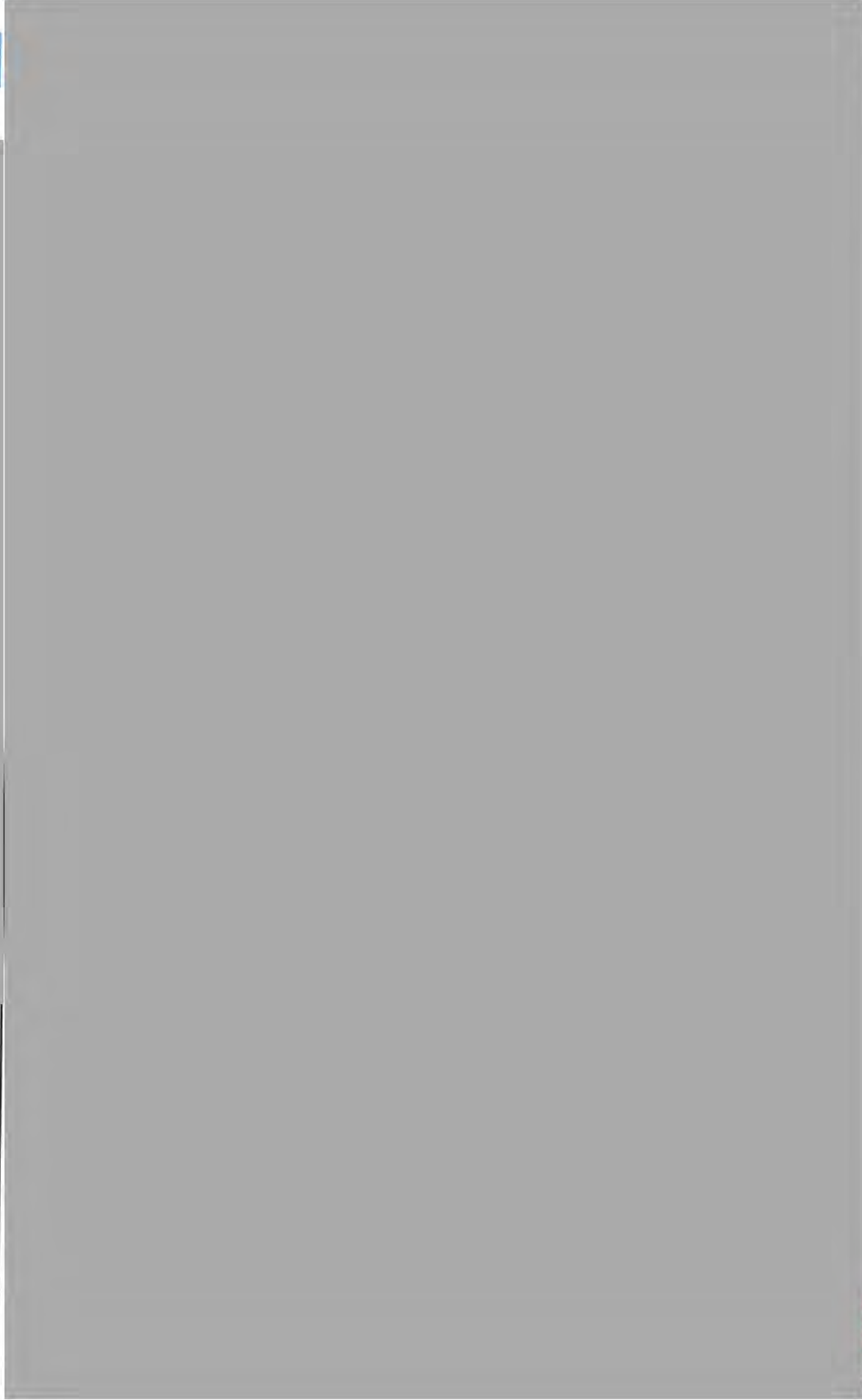
7D

Unlisted bookbuild – strategy available

7E

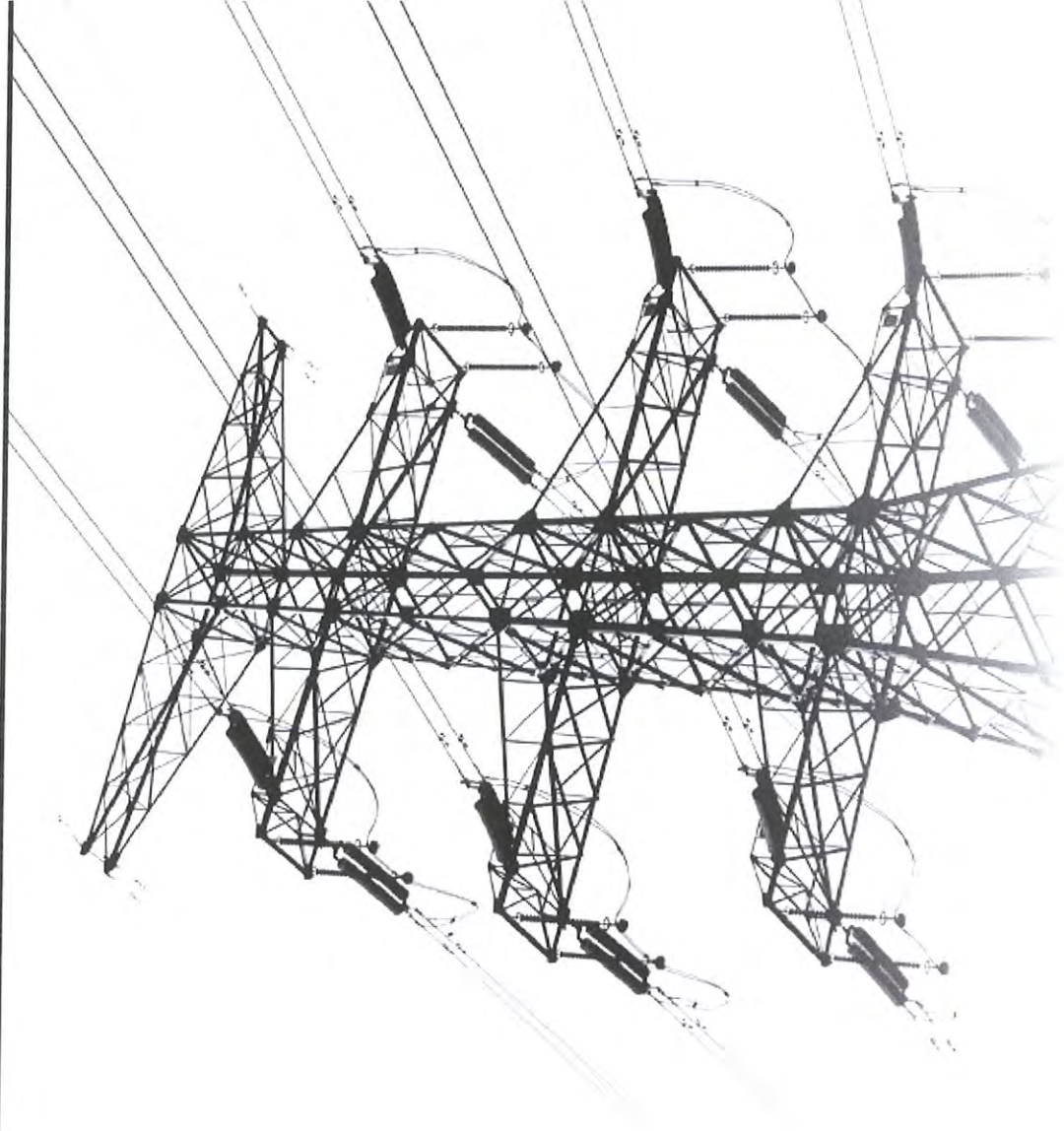
Unlisted bookbuild –

7E



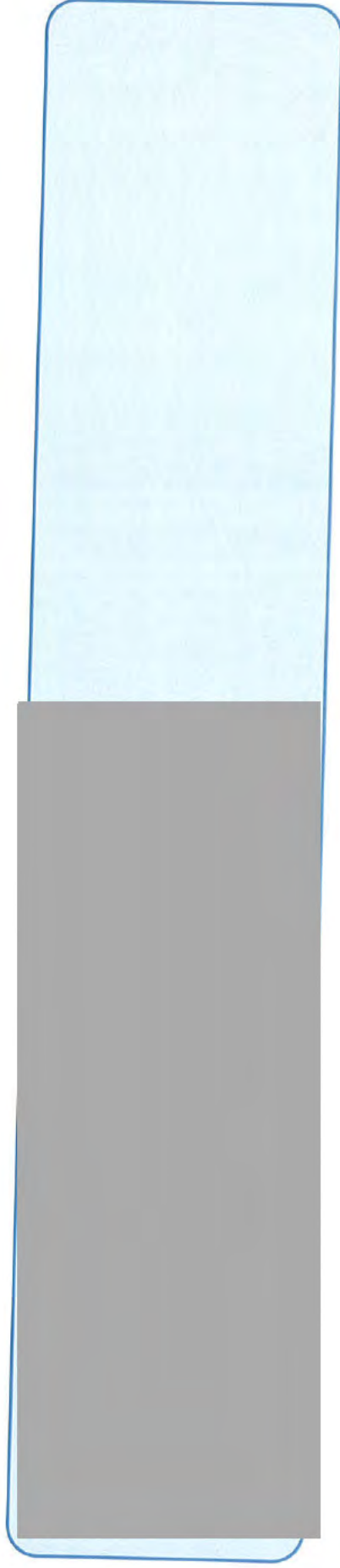
Section 8

Tax structuring considerations



Section 8

Tax structuring considerations

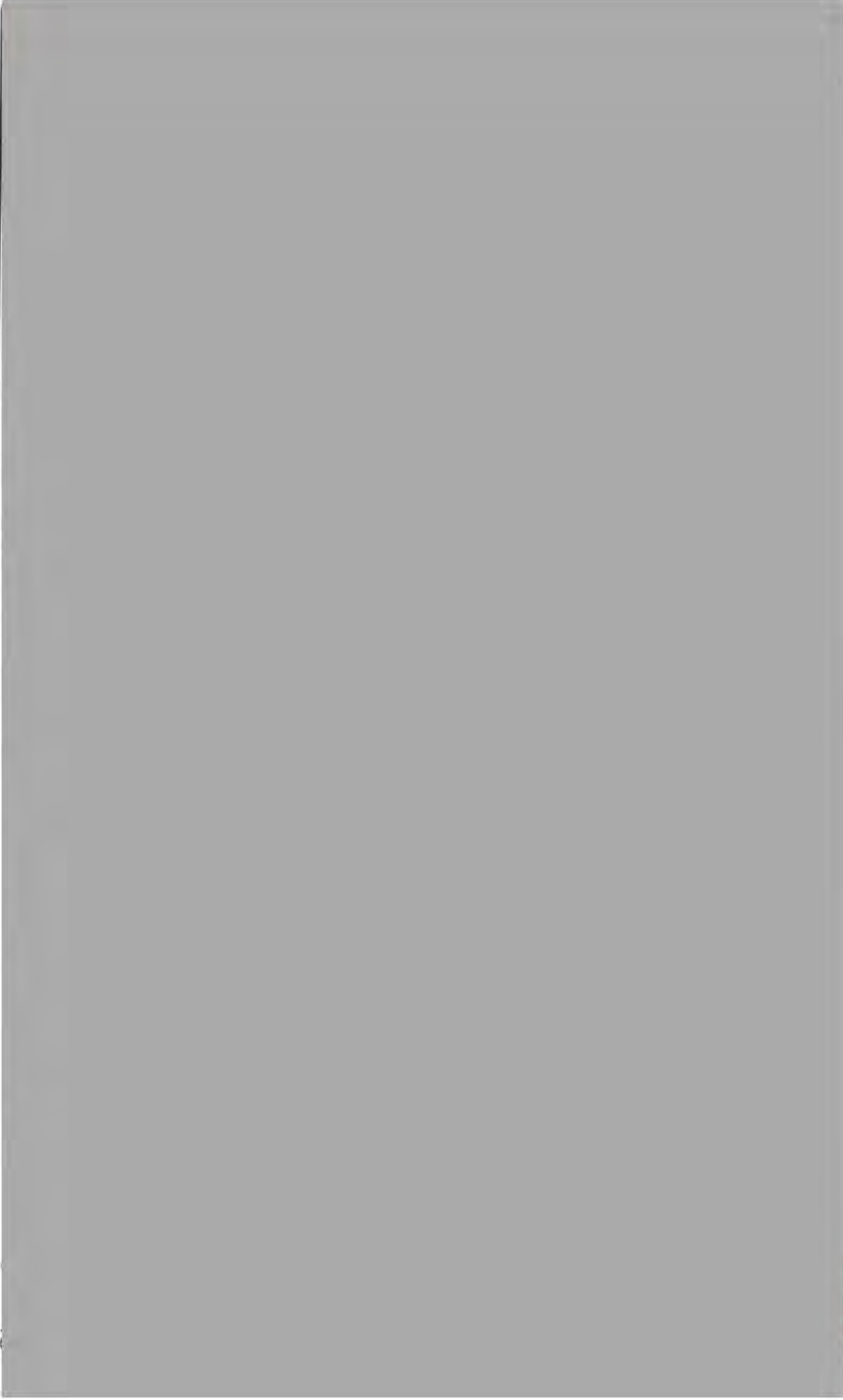


Tax structuring considerations – pre-financial close

8A

Tax structuring considerations – at financial close

8A



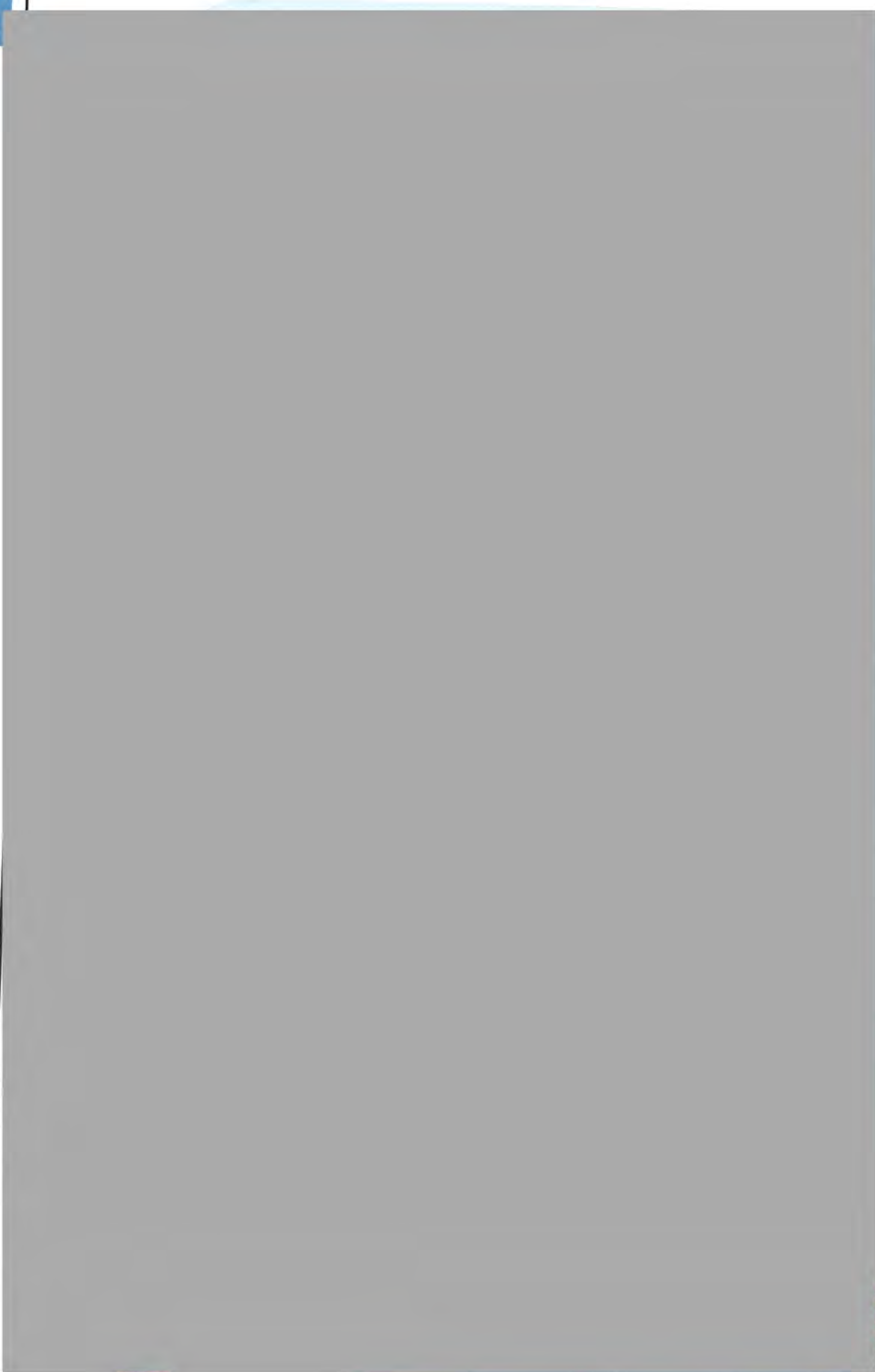
Tax structuring considerations – additional issues

8A



Division 250 considerations

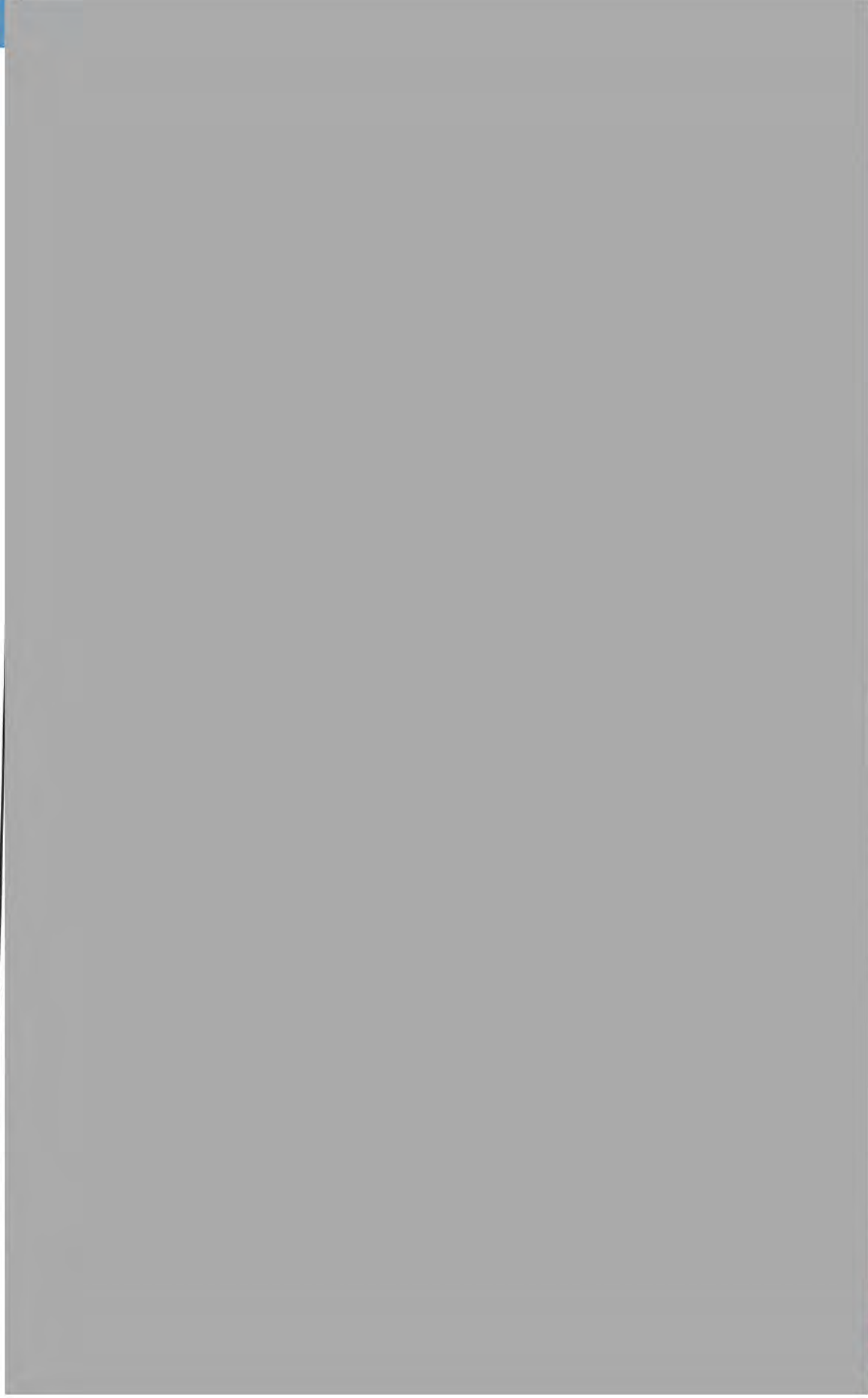
8B



Original

Division 250 considerations

8B



Further tax considerations relevant to the State and incoming investors

8C



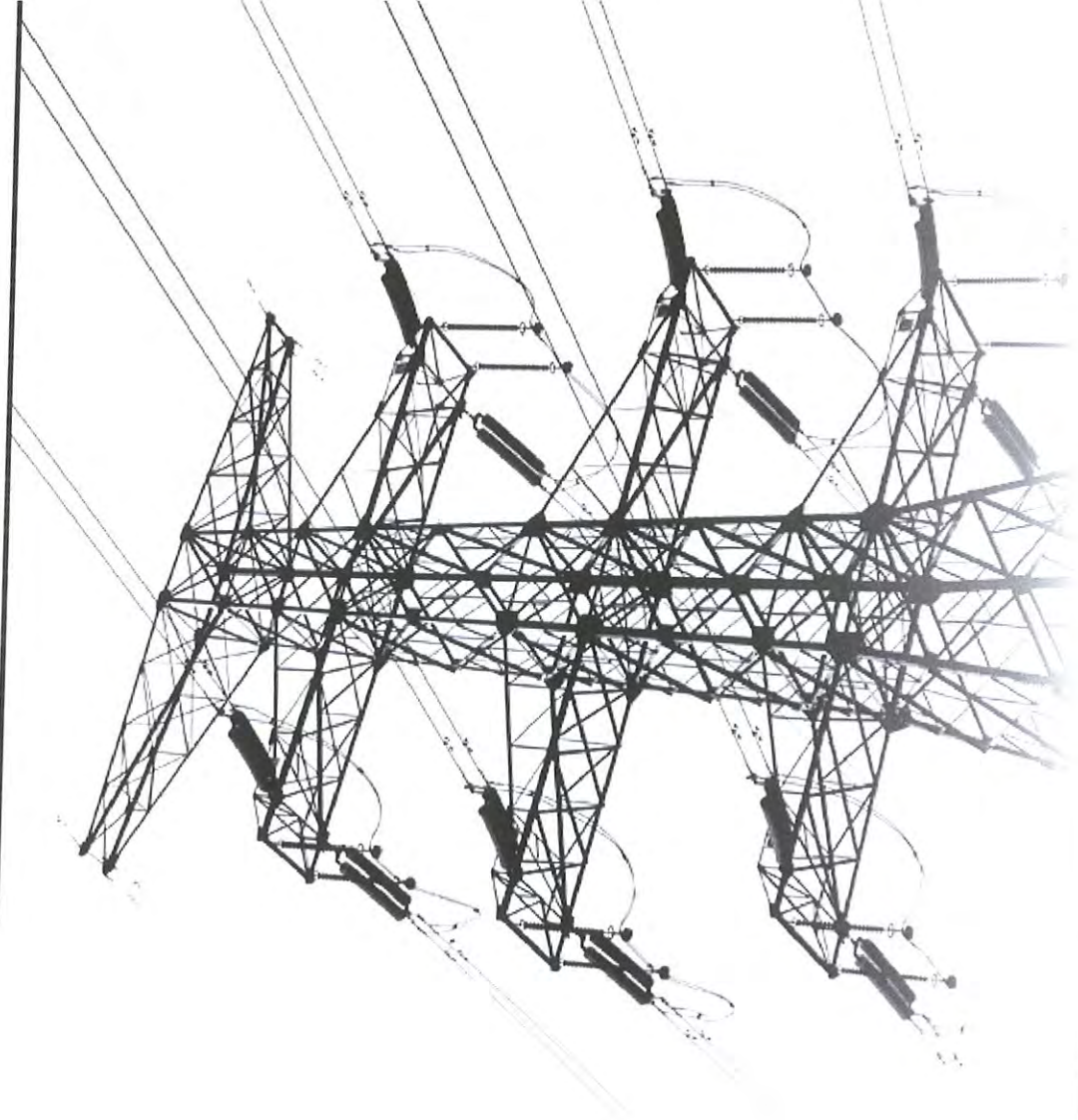
Further tax considerations relevant to the State and incoming investors

8C



Appendix A

Indicative valuation



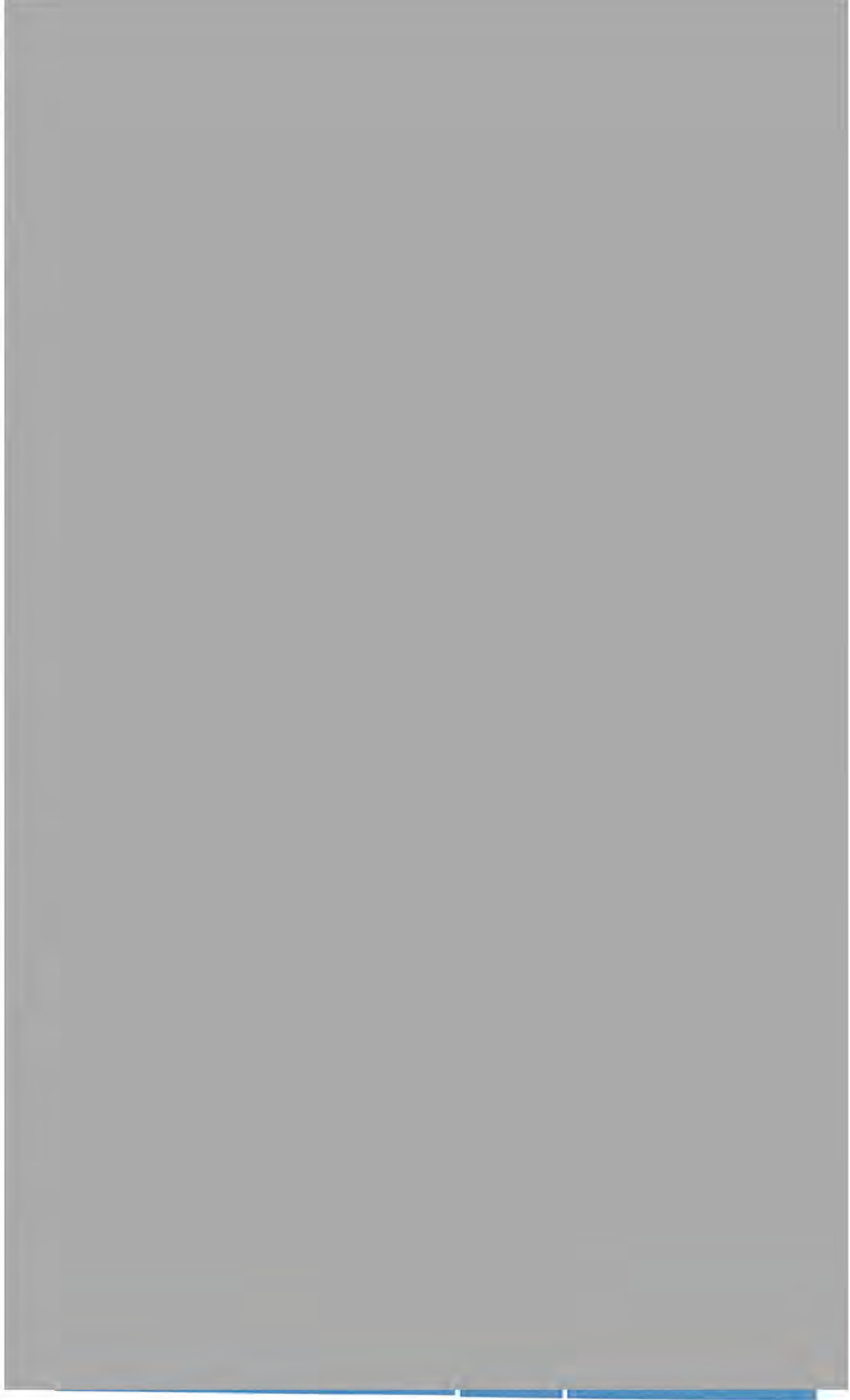
Appendix A

Indicative valuation



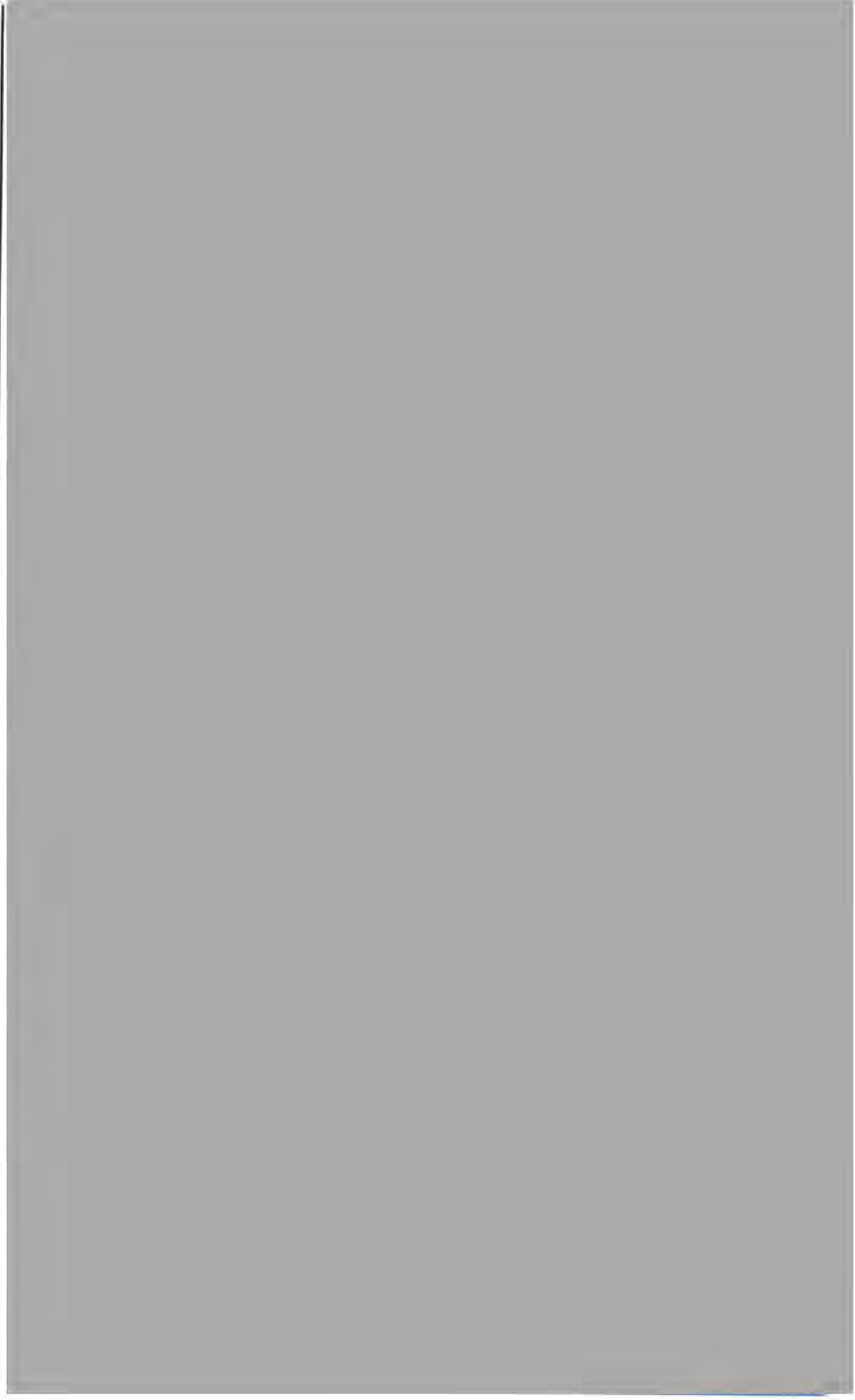
Original

Financial forecasts —

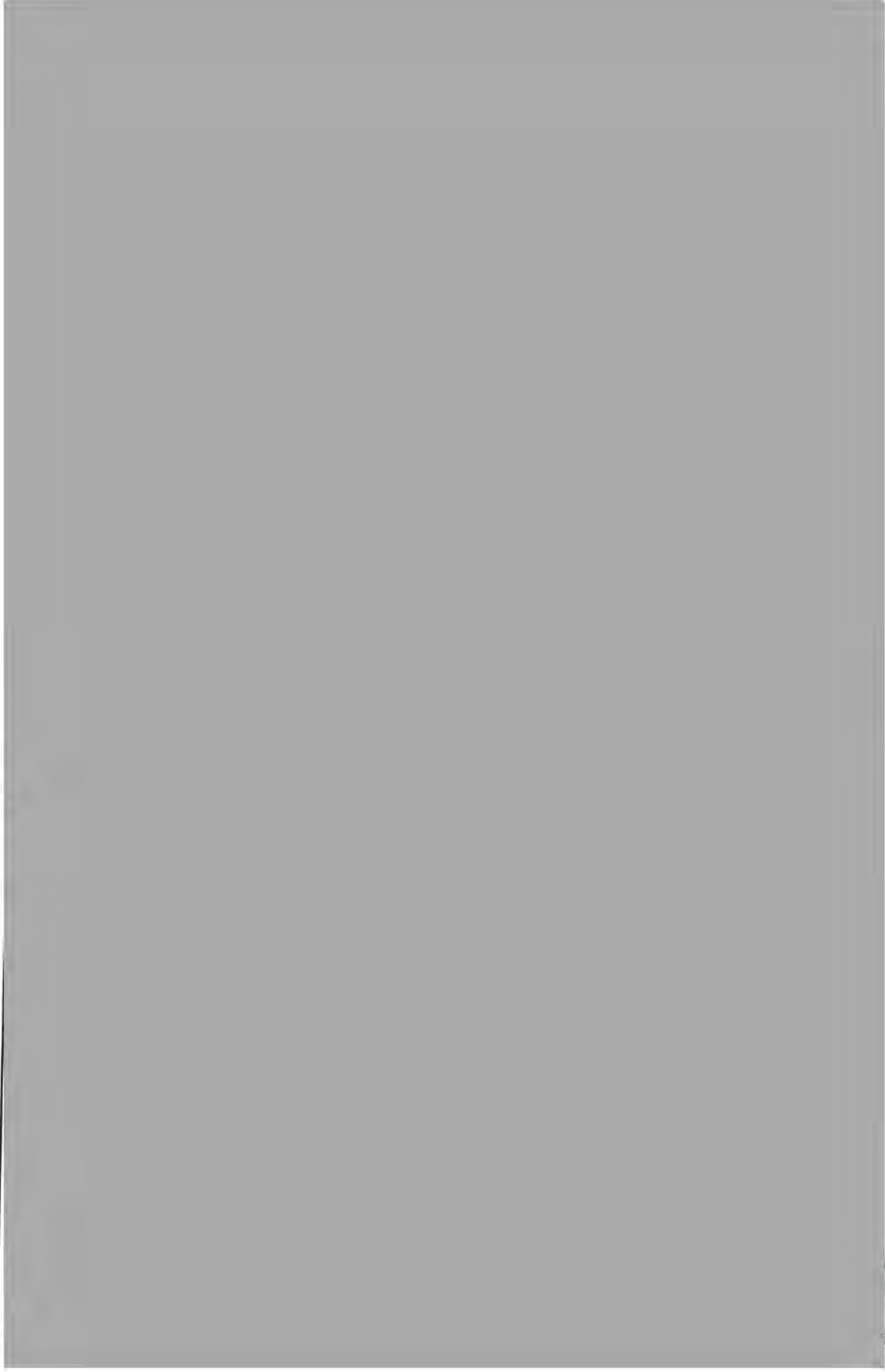


Financial forecasts —

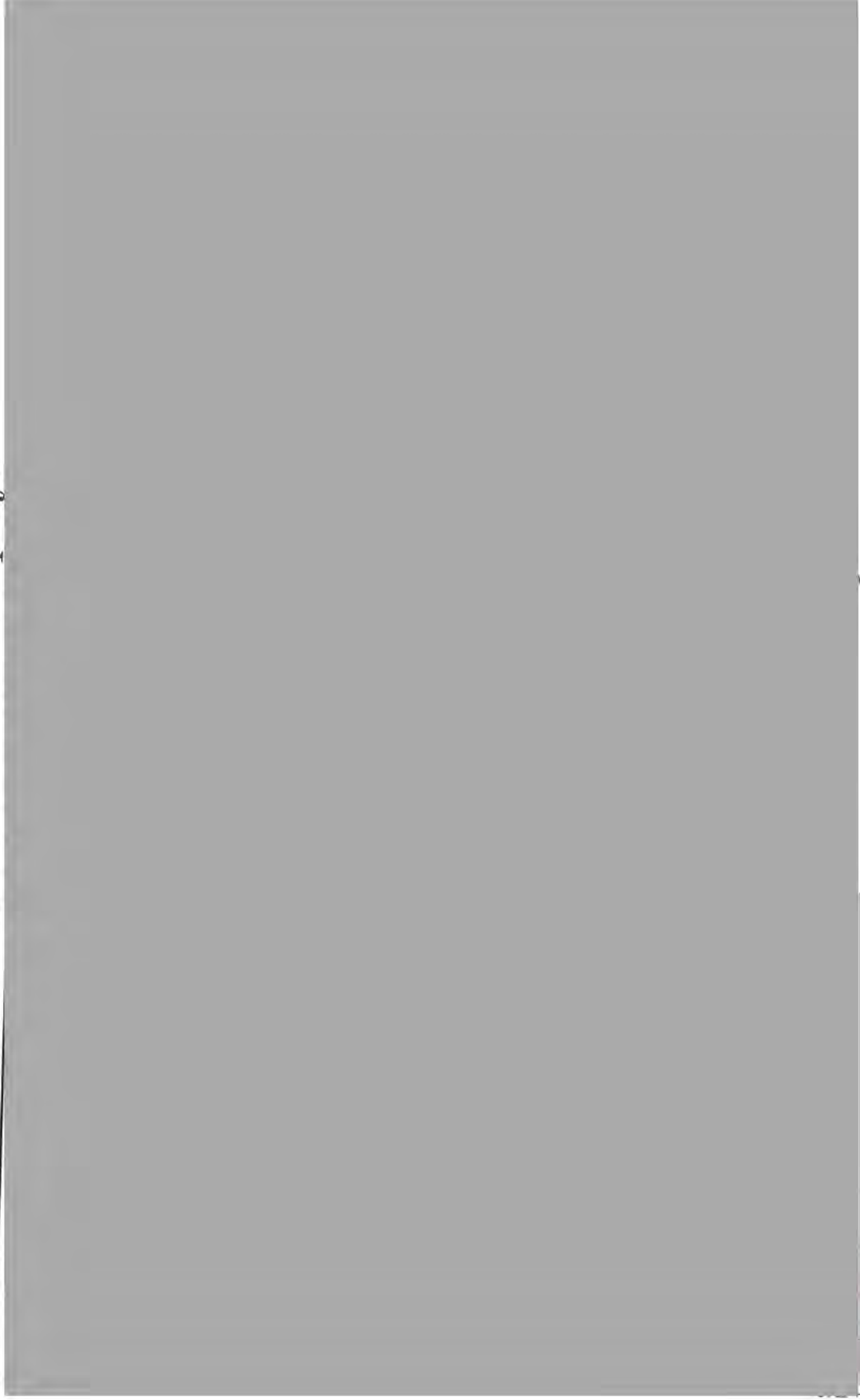
Financial forecasts —



Potential valuation methodologies



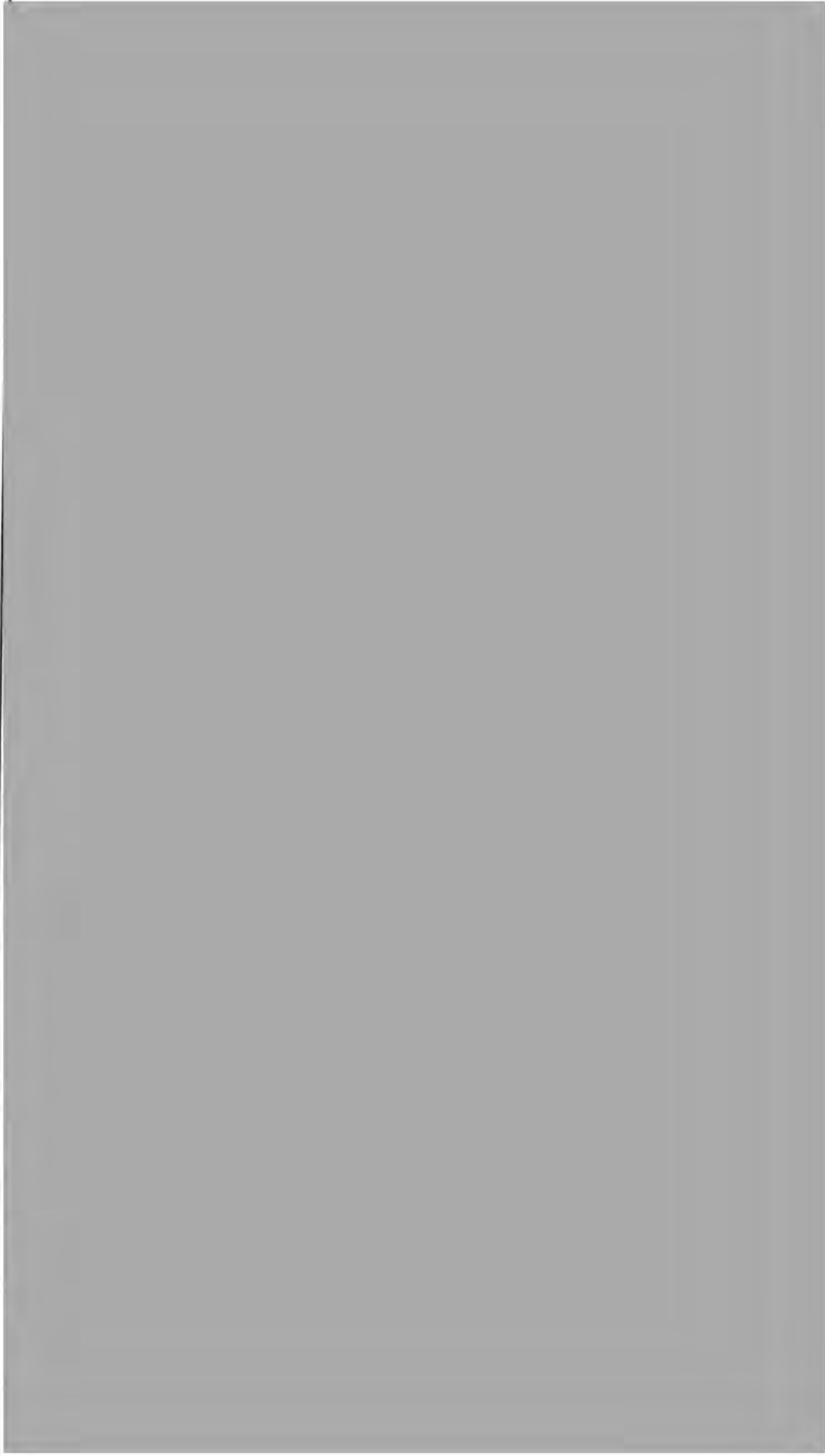
Valuation — what is the appropriate cost of equity?



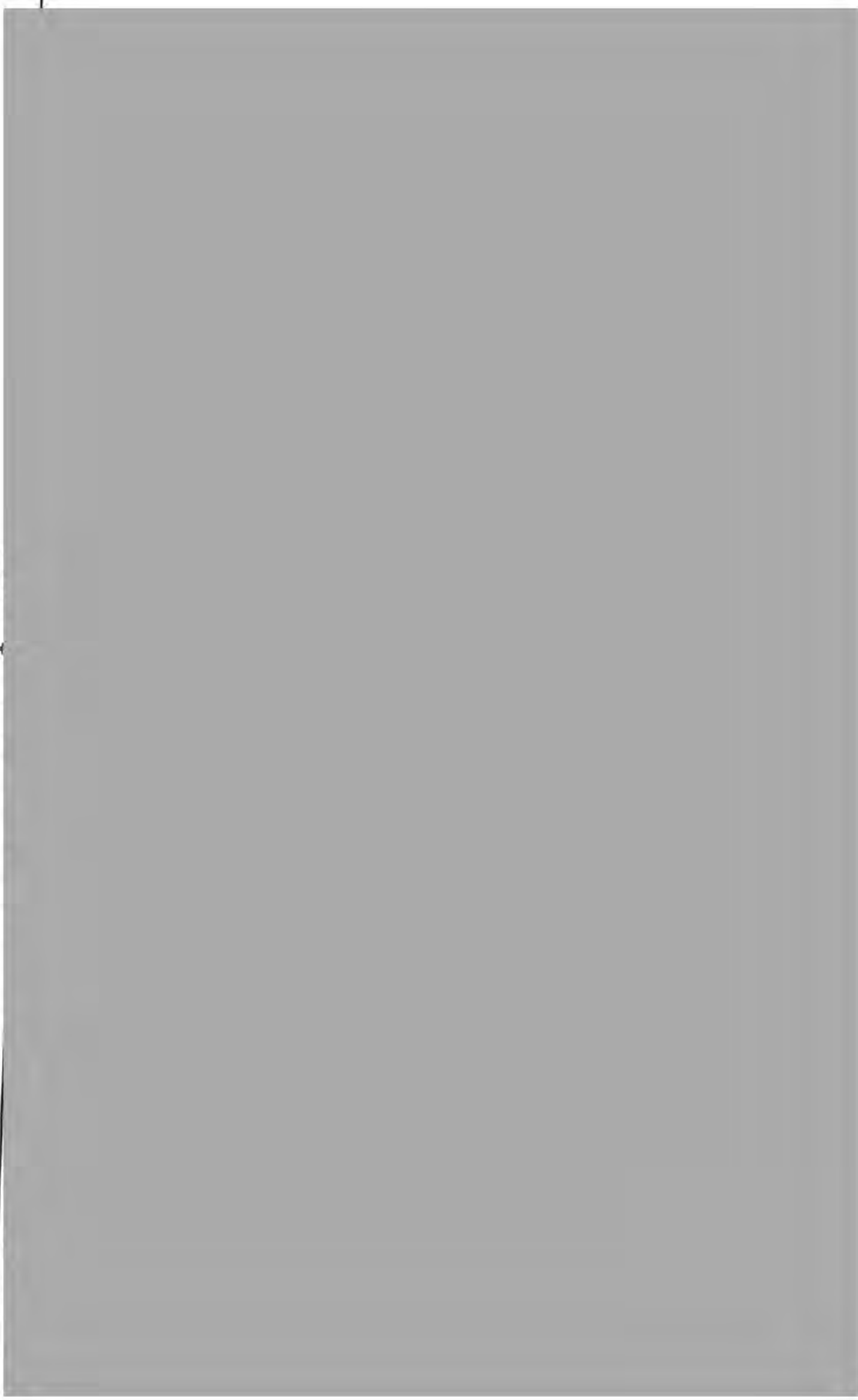
A

Valuation – what is the appropriate cost of equity?

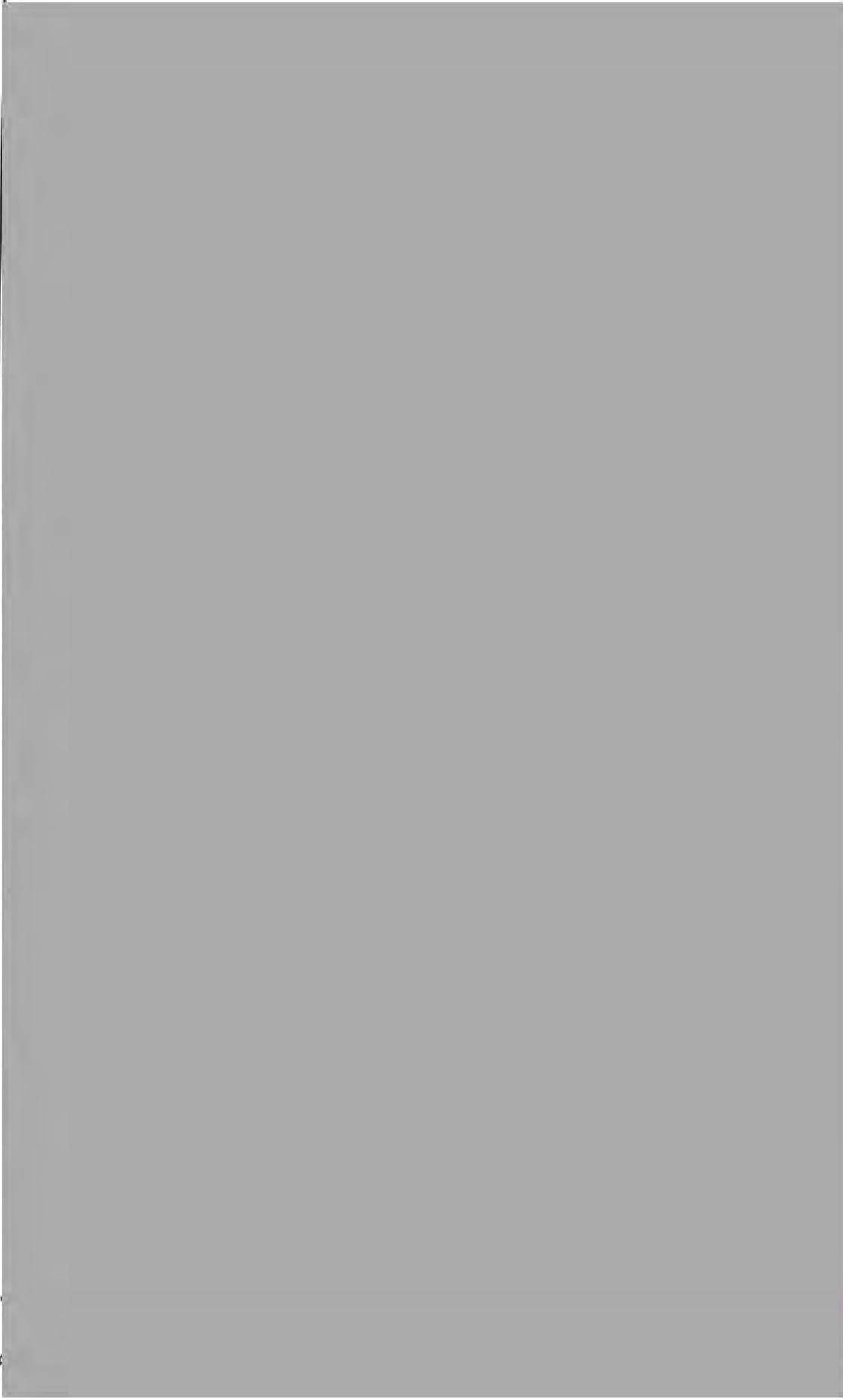
Sum of the parts dividend discount model



Trading valuations of listed Australian peers



Comparable transaction multiples



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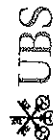
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Original



The
Treasury

NSW Treasury, Financial Adviser – Electricity Networks Transaction, Response to Request for Proposal

25 June 2014

Passion to Perform



4

Extensive recent experience structuring and executing large scale IPOs in the local market

We have the most recent relevant IPO experience and #1 equities platform

Deutsche Bank has led the 2 largest recent IPOs and 4 of the last 5 Government IPOs and sell-downs.

Largest IPO in 2014YTD	Largest IPO in 2013	Second largest IPO in 2013	Second largest NZ block trade in 2013	Largest expected IPO since 2010
 SPOTLESS Spotless AUD\$95 million Initial Public Offering Joint Lead Manager & Bookrunner May 2014 Australia	 meridian Meridian Energy NZD1.9 billion Initial Public Offering Joint Lead Manager and Bookrunner October 2013 Australia & New Zealand	 MIGHTY RIVER POWER Mighty River Power NZD1.7 billion Initial Public Offering Government Adviser May 2013 Australia & New Zealand	 AIR NEW ZEALAND Air New Zealand NZD355 million Block Trade of New Zealand Government's 20.0% stake Joint Lead Manager and Bookrunner November 2013 Australia & New Zealand	 medibank For Better Health Medibank Private Initial Public Offering Joint Lead Manager and Bookrunner Current Australia

#1 Trader of shares on the ASX and #1 Trader for listed regulated assets in Australia

ASX broker market share 2014YTD		
	Broker	Share (%)
1	Deutsche Bank	12.0
2	Citi	9.2

S&P/ASX200 Utilities sector trading market share 2014 YTD		
	Broker	Share (%)
1	Deutsche Bank	12.4
2	Morgan Stanley	12.3

ASX regulated utilities sector trading market share 2014YTD ^(a)		
	Broker	Share (%)
1	Deutsche Bank	9.0
2	Morgan Stanley	8.8

(a) Excluding Envestra due to current M&A activity

5

The best understanding of global investor appetite for regulated assets (both listed and unlisted), given the size of the assets for sale and limited regulated assets sold in Australia in recent years

Deep connectivity with investors, through our unrivalled global experience in regulated utility transactions.

Unmatched global regulated utilities transaction experience with deep connectivity investors

Deutsche Bank has acted on all 9 of the latest sizeable European regulated electricity transactions

Deutsche Bank has acted on 5 of the latest 6 sizeable European regulated gas transactions

Deutsche Bank has acted on 5 of the latest 6 sizeable European regulated water transactions



Note: Size threshold of EV >€1,000m

ORIGINAL



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25 June 2014





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Evaluation Criterion 1

Capability, capacity and previous experience of the firm and nominated personnel with relevant trade sale, lease and/or IPO transactions including Government sell-side engagements and/or private to private transactions in regulated energy and/or other major infrastructure and utilities



The
Treasury



1

Extensive experience with complex multi-asset Government scoping study and asset sales

Sole Financial Adviser to the New Zealand Treasury on its NZ\$5bn Mixed Ownership Model ('MOM') 49% sale program

"Deutsche Bank's performance throughout the Mixed Ownership Model process was always of a high standard, timely and with the Government's objectives firmly in mind. As the Crown Adviser, their sales advice and project management was thorough, their team integrated very well with Treasury, and their independent advice was valued. In their role as a Joint Lead Manager for the Meridian transaction, we found their experience in retail offer structuring invaluable. This combined with their global institutional reach had us regard them as a very effective Joint Lead Manager" – John Crawford, Ex-Deputy Secretary, New Zealand Treasury – responsible for the Mixed Ownership Model Programme.

Sole Crown Financial Adviser to the New Zealand Treasury on its NZ\$5bn Mixed Ownership Model ('MOM') 49% sale program

- From 2011 to 2013, Deutsche Bank advised the New Zealand Treasury on the design and implementation of an unprecedented Government asset sale program



Deutsche Bank's role:

- Designing scoping studies for the four SOEs (Mighty River Power, Meridian Energy, Genesis Energy and Solid Energy), three of which were energy utility businesses
- Producing a Sale Programme Report in November 2011 and implementing the MOM, including monitoring and oversight
- Active Advisory role in the execution of the 49% asset divestments
- Navigating through legal challenges and regulatory uncertainty associated with the New Zealand electricity sector to maintain sale process momentum throughout the IPO of Mighty River Power
- Deutsche Bank was also selected as the Joint Lead Manager and Bookrunner on the IPO of Meridian Energy and sell-down of Air New Zealand

New Zealand Treasury	Mighty River Power	Meridian Energy	Air New Zealand
NZD5 billion Extending the Mixed Ownership Model	NZD1.7 billion Initial Public Offering	NZD1.9 billion Initial Public Offering	NZD365 million Block Trade of New Zealand Government's 200% stake
Financial Adviser to The Crown	Crown Adviser	Joint Lead Manager and Bookrunner	Joint Lead Manager and Bookrunner
2011 – 2013 New Zealand	May 2013 Australia and New Zealand	October 2013 Australia and New Zealand	November 2013 Australia and New Zealand

The Deutsche Bank team has also led over 12 other Government scoping studies and privatisations

	<ul style="list-style-type: none"> ✓ Adviser to NSW Government on: <ul style="list-style-type: none"> – the Pillar Scoping Study – sale of Country Energy to Envestra
	<ul style="list-style-type: none"> ✓ Adviser to Queensland Government on: <ul style="list-style-type: none"> – the Scoping Study to fund its \$30bn regulated electricity networks – the sale of the regulated network Allgas to APA Group – the sale of Sun Retail to Origin Energy and Sun Gas to AGL Energy – the sale of Powerdirect to AGL Energy – the privatisation of 5 infrastructure assets, including the IPO and subsequent sell-down of stake in Aurizon – the restructuring and sale of Allgas, Enertrade and Stanwell and Tarong wind assets
	<ul style="list-style-type: none"> ✓ Adviser to South Australian Government on its restructuring and subsequent privatisation of its electricity sector, including ETSA Utilities and ElectraNet
	<ul style="list-style-type: none"> ✓ Business Adviser to the Commonwealth on \$5.8bn sale of CBA
	<ul style="list-style-type: none"> ✓ Adviser to Western Australia Government on the IPO of Alinta Gas



2

A dedicated team with broad-ranging regulated asset trade sale expertise

Advised on 13 of the most recent regulated utility transactions in Australia

Bruce MacDiarmid (Project Team Leader)



Mike Roche (Project Team Leader)



Advised entity	Announced	EV (A\$m)	Bidder/buyer	Target	Deutsche Bank role
✓	2014	4,500			Buyside Advisory
✓	2011	1,000			Buyside Advisory
✓	2011	525			Sellside Advisory
✓	2010	107			Sellside Advisory
✓	2009	1,930			Sellside Advisory
✓	2007	565		Origin's stake in 3 regulated networks	Buyside Advisory
✓	2006	452			Buyside Advisory

Extensive team experience in all 3 major State Government regulated utility privatisation programs

Privatisation transactions	Deutsche Bank team	Key entities
Queensland privatisation		– Ergon, Energex, Powerlink, Allgas, Aurizon
South Australian Government privatisation		– ETSA Utilities, ElectraNet
Victorian privatisation		– Utilicorp United, Multinet/Ikon Gas, United Energy
Other privatisations and regulated utilities		– APA Group, Alinta Gas, Western Power, Spark Infrastructure, Multinet



3

Deep knowledge of the debt markets and the ability to evaluate and navigate market conditions, debt capacity constraints and deliver debt solutions that maximise value

#1 Global Bond and Loan House...

Awards



2013 top awards

No 1 Global Bond House
No 1 Global Loan House
No 1 EMEA Bond Deal



Bond House

Best Foreign Bank
in Australia

All AUD Market Bonds 2013 – 2014 YTD

#	Bookrunner	Vol (A\$m)	Market share
1	Westpac	9,519	12.1
2	ANZ	8,120	10.3
3	Deutsche Bank	6,996	8.0
4	NAB	6,387	8.1
5	UBS	4,793	6.1
6	Citigroup	4,768	6.1
7	CBA	4,271	5.4

Source: Dealogic

...with leading debt franchise for Australian power and utilities...



SGSP (Australia) Assets

EUR500 million
2.000% coupon
Maturity: 30 June 2022

Joint Lead Manager

June 2014



Alinta Energy

USD1.1 billion
Lead Manager in USD1.1bn Term Loan
B involving attaining dual credit ratings
from both S&P and Moody's

Joint Lead Arranger & Bookrunner

2013



SPI Electricity & Gas

EUR500 million
2.375% coupon
Maturity: 24 July 2020

Joint Lead Manager

July 2013



SPI (Australia) Assets

USD500 million
3.300% coupon
Maturity: 9 April 2023

Joint Lead Manager

September 2012



Origin Energy

EUR500 million hybrid
2.875% coupon
Maturity: 11 October 2019

Joint Lead Manager

October 2012



AGL Energy

AUD650 million hybrid
3-mth BBSW + 380BP coupon
Maturity: 8 June 2039

Joint Lead Manager

April 2012

...and a global distribution platform

*All CHF bonds (2013 – 2014 YTD)

Swiss		
Bookrunner	Share (%)	
1	Credit Suisse	29.1
2	UBS	24.4
3	Schweizerische	12.2
4	Zuercher	8.0
5	Deutsche Bank	5.8

*All GBP bonds (2013 – 2014 YTD)

Sterling		
Bookrunner	Share (%)	
1	HSBC	13.4
2	Barclays	11.8
3	RBS	11.2
4	Deutsche Bank	8.5
5	Lloyds	6.7

*All Euromarket bonds (2013 – 2014 YTD)

Euromarket		
Bookrunner	Share (%)	
1	Deutsche Bank	6.3
2	HSBC	6.2
3	BNP	5.6
4	Barclays	5.5
5	JPMorgan	4.5

*All Asia-Pac ex-Japan G3 Currency Bonds

Asia		
Bookrunner	Share (%)	
1	HSBC	4.7
2	Citi	3.7
3	Deutsche Bank	3.3
4	UBS	3.3
5	JPMorgan	3.0

*All Yankee bonds (2013 – 2014 YTD)

Yankee		
Bookrunner	Share (%)	
1	JPMorgan	10.7
2	Citi	9.7
3	Deutsche Bank	9.1
4	Goldman Sachs	8.7
5	Barclays	7.7

*All AUD bonds (2013 – 2014 YTD)

Australia		
Bookrunner	Share (%)	
1	ANZ	7.5
2	Westpac	7.7
3	NAB	7.2
4	Deutsche Bank	6.5
5	Citi	6.4



4

Extensive recent experience structuring and executing large scale IPOs in the local market

Deutsche Bank has led the 2 largest recent IPOs and 4 of the last 5 Government IPOs and sell-downs

Largest IPO in 2014YTD	Largest IPO in 2013	Australian and New Zealand Government equity transactions in the last 12 months				
SPOTLESS Spotless AUD695 million Initial Public Offering Joint Lead Manager & Bookrunner May 2014 Australia	meridian Meridian Energy NZD1.9 billion Initial Public Offering Joint Lead Manager and Bookrunner October 2013 Australia & New Zealand	Date	Transaction			
		✓ Ongoing	Medibank	✓	✓	✓
		✓ Oct-13	Meridian Energy	✓	✓	✓
		Apr-14	Genesis Energy		✓	✓
		✓ May-13	Mighty River Power	✓	✓	✓
		✓ Nov-13	Air New Zealand	✓	✓	
				4	2	4

Source: SDC, Deutsche Bank

#1 in Australian Energy and Utility equity offerings

Australian equity issuance – Energy and Utilities (2012 – 2014 YTD)^(a)

	Deal value (\$m)	%			
1 Deutsche Bank	1,137	34.1	AGL Energy AUD1.2 billion Accelerated Renounceable Entitlement offer Joint Lead Manager & Bookrunner Pending Australia	Spark Infrastructure AUD200 million Placement Joint Lead Manager & Bookrunner May 2014 Australia	AGL Energy AUD504 million Accelerated renounceable entitlement offer with retail entitlements trading Joint Lead Manager, Bookrunner and Underwriter May 2012 Australia
2 Citi	950	28.5			
3 UBS	817	24.5			
4 Morgan Stanley	693	20.8			
5 Macquarie	498	14.9			
6 Credit Suisse	433	13.0			
7 Morgans	142	4.3			
8 Petra Capital	135	4.1			

(a) Dealogic sectors include Utility & Energy – Diversified, Utility & Energy – Electric Power, Utility & Energy – Gas, Utility & Energy – Hydroelectric Power, Utility & Energy – Nuclear Power, (b) As at 21 June 2014

Source: Dealogic

#1 Trader of shares on the ASX and listed regulated assets in Australia

Deutsche Bank has the fastest growing equities franchise in Australia and is the #1 trader of shares on the ASX. Our team consists of over 80 professionals across research, sales and trading, with an average of over 15 years of experience.

ASX broker market share 2014YTD

Broker	Share (%)
1 Deutsche Bank	12.0
2 Citi	9.2
3 UBS	9.0
4 Morgan Stanley	7.9
5 Macquarie	7.6

(a) Excluding Envestra due to current M&A activity

Source: IRESS as at 21 June 2014

ASX regulated utilities sector trading market share 2014YTD^(a)

Broker	Share (%)
1 Deutsche Bank	9.0
2 Morgan Stanley	8.8
3 UBS	8.3
4 Citi	8.0
5 Macquarie	7.4

#1 research platform for Energy and Regulated Utilities assets

Leading Energy and Utilities Research



John Hirjee – Head of Energy and Utilities



Hugh Morgan – Energy and Utilities sector analyst





5

The best understanding of global investor appetite for regulated assets (both listed and unlisted), given the size of the assets for sale and limited regulated assets sold in Australia in recent years

Deutsche Bank is unrivalled in European regulated utilities transactions and has advised on 19 of the last 21 largest transactions (totalling €76 billion in Enterprise Value).

Most recent and relevant European regulated electricity transaction



EV €2.5 billion
Lead Financial Adviser on the acquisition of Fortum's electricity distribution business in Finland
Lead Financial Adviser
December 2013
Finland

- Advised Suomi Power Networks, a consortium led by First State Investments and Borealis Infrastructure, on the €2.5bn acquisition of Fortum's electricity distribution business in Finland
- Valuation of Fortum Distribution Finland to recognise stability of regulatory framework
- Financing and hedging support for the consortium, including acquisition financing
- Construction of a business plan

Deutsche Bank has acted on all 9 of the latest sizeable^(a) European regulated electricity transactions

Entity	Announced	EV (€bn)	Buyer	Seller	DB role	Sell-side
Fortum Distribution Finland	Dec-13	2.6	First State Investments, Borealis Infrastructure, Fortum Distribution	Fortum	Buyside Adviser Financing	
Tennet	Feb-12	3.4	Mitsubishi	Tennet	Sellside Adviser	✓
REN	Feb-12	1.6	STATE GRID	REN	Buyside Adviser	
VATTENFALL	Dec-11	1.5	Goldman Sachs, Lazard	VATTENFALL	Sellside Adviser	✓
RWE Amperion Transmission	Jul-11	1.3	Consortium (German investors), Commerzbank	RWE	Sell side Adviser	✓
edf	Jul-10	7.0	Ri	EDF	Sellside Adviser, Financing /	✓
e-on CK Networks	Feb-10	1.1	Tennet	e-on	Sellside Adviser	✓
United Utilities	Nov-07	2.5	Colonial First State, JPMorgan	United Utilities	Sellside Adviser	✓

(a) EV >€1,000m

Deutsche Bank Advisory role

Deutsche Bank has acted on 5 of the latest 6 sizeable^(a) European regulated gas transactions

Entity	Announced	EV (€bn)	Buyer	Seller	DB role	Sell-side
SPP	Jan-13	2.6	EP, GDF SUEZ, e-on	e-on	Sellside Adviser	✓
WALES & WEST UTILITIES	Jul-12	2.5	Ri	O2, ArcelorMittals	n/a	
GRT	Jul-11	6.0	CNP, GDF SUEZ, others	GDF SUEZ	Buyside Adviser	

(a) EV >€1,000m

Deutsche Bank Advisory role



Deutsche Bank has acted on 5 of the latest 6 sizeable^(a) European regulated water transactions

Entity	Announced	EV (€bn)	Buyer	Seller	DB role	Sell-side
VEOLIA WATER UK Water	Jun-12	1.5	Morgan Stanley	VEOLIA WATER	Sellside Adviser	✓
Thames Water (13% stake)	May-12	n/a	Hermes GPE BT PENSION FUNDS	MITSUBISHI	Sellside Adviser	✓
NORTHUMBRIAN WATER	Aug-11	5.4	Citi	NORTHUMBRIAN WATER	Defence Adviser	
Kelda Group	Nov-07	7.6	Others Citi GIC	Kelda Group	Conflicted by Southern Water sellside running to similar timetable	
Southern Water	Oct-07	6.0	Greensands Investments Limited J.P.Morgan UBS Other	RBS <small>The Royal Bank of Scotland</small>	Sellside	✓
Thames Water	Oct-06	12.0	MITSUBISHI E.ON	RWE	Sellside Advisory Pre-financing	✓




















(a) EV >€1,000m

Deutsche Bank Advisory role

Dominant ECM franchise in the global power and utilities sector

Deutsche Bank is involved in more large scale global IPO and equity raising transactions than any other bank.

Global equity raising and IPO's by deal size

Date	Transaction	Country	Deal size (US\$m)									Others	
12-Oct-10	TEPCO share offering	Japan	4,982									✓	✓
 11-Jun-10	National Grid rights issue	UK	4,543	✓	✓			✓		✓			✓
22-Jan-14	Hong Kong Electric IPO	HK	3,110					✓					✓
 6-Dec-11	RWE capital raising	Germany	2,804	✓				✓					
14-Mar-11	Iberdrola common stock offering	Spain	2,665			✓							✓
1-Mar-11	Electrobras Class B preferred share offering	Brazil	2,475										✓
 6-Feb-13	NTPC shares offering	India	2,160	✓		✓		✓		✓			✓
 22-Jun-10	PPL Corp common share offering	US	2,137	✓	✓	✓	✓		✓	✓	✓		✓
 11-Apr-11	PPL Corp common share offering	US	2,024	✓	✓	✓	✓	✓	✓	✓			✓
 30-Apr-10	Essar Energy IPO	UK	1,943	✓				✓				✓	✓
9-Feb-10	NTPC FPO	India	1,787			✓		✓					✓
 26-Mar-13	Enersis SA rights offering	Chile	1,702	✓	✓			✓					✓
13-Nov-10	Power Grid Corp of India share offering	India	1,692					✓	✓				✓
 15-Jan-13	ENI exchangeable bond	Italy	1,691	✓						✓			✓
 4-Mar-11	Legrand share sale	France	1,608	✓				✓				✓	
 23-Oct-13	Meridian Energy IPO	NZ	1,600	✓				✓					✓
20-Jan-10	China XD Electric share offering	China	1,513										✓
 8-May-13	Mighty River Power IPO	NZ	1,418	✓			✓	✓					✓
8-Oct-10	PGE Group share offering	Poland	1,401			✓	✓	✓	✓				✓
10-Dec-10	OGK-1 share offering	Russia	1,376										✓
Total				11	4	6	4	9	8	5	2	3	

Source: SDC, Deutsche Bank, Factiva

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Evaluation Criterion 2

Depth and quality of the pool of people dedicated full time to the project



The
Treasury

Evaluation Criterion 2 ORIGINAL
Proposed Deutsche Bank Project team
 Fully committed and available for Project duration



General Support



Anik Koria
Analyst



Krutika Reddy
Analyst



Alexandra Feetham
Analyst



Amanda Asali
Analyst



Samir Jain
Analyst



Kyra Miller
Associate



Jonathan McLean
Vice President
Credit Portfolio Strategies
Australia & NZ



Sam de-Meyrick
Vice President
Leveraged Finance
Australia & NZ



Elliott Flom
Analyst



Rohan Bansal
Analyst



Aniket Ranjan
Analyst



Vaibhav Jain
Analyst



Surbhi Verma
Analyst



James Croft
Analyst



Stephanie Dash
Associate



Keith Mitchell
Associate



(a) Available as required

(b) These three teams can work in a matrix structure – Phase 1: split tasks per RFP phase 1 or alternatively able to split across the three businesses to be privatised: TransGrid, Ausgrid and Endeavour Energy



Project team

Key personnel	Commitment	Role and relevant experience



Key personnel	Commitment	Role and relevant experience



Key personnel	Commitment	Role and relevant experience



Key personnel	Commitment	Role and relevant experience



Key personnel	Commitment	Role and relevant experience

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Evaluation Criterion 3

Depth, quality and level
of commitment of people
supporting the project



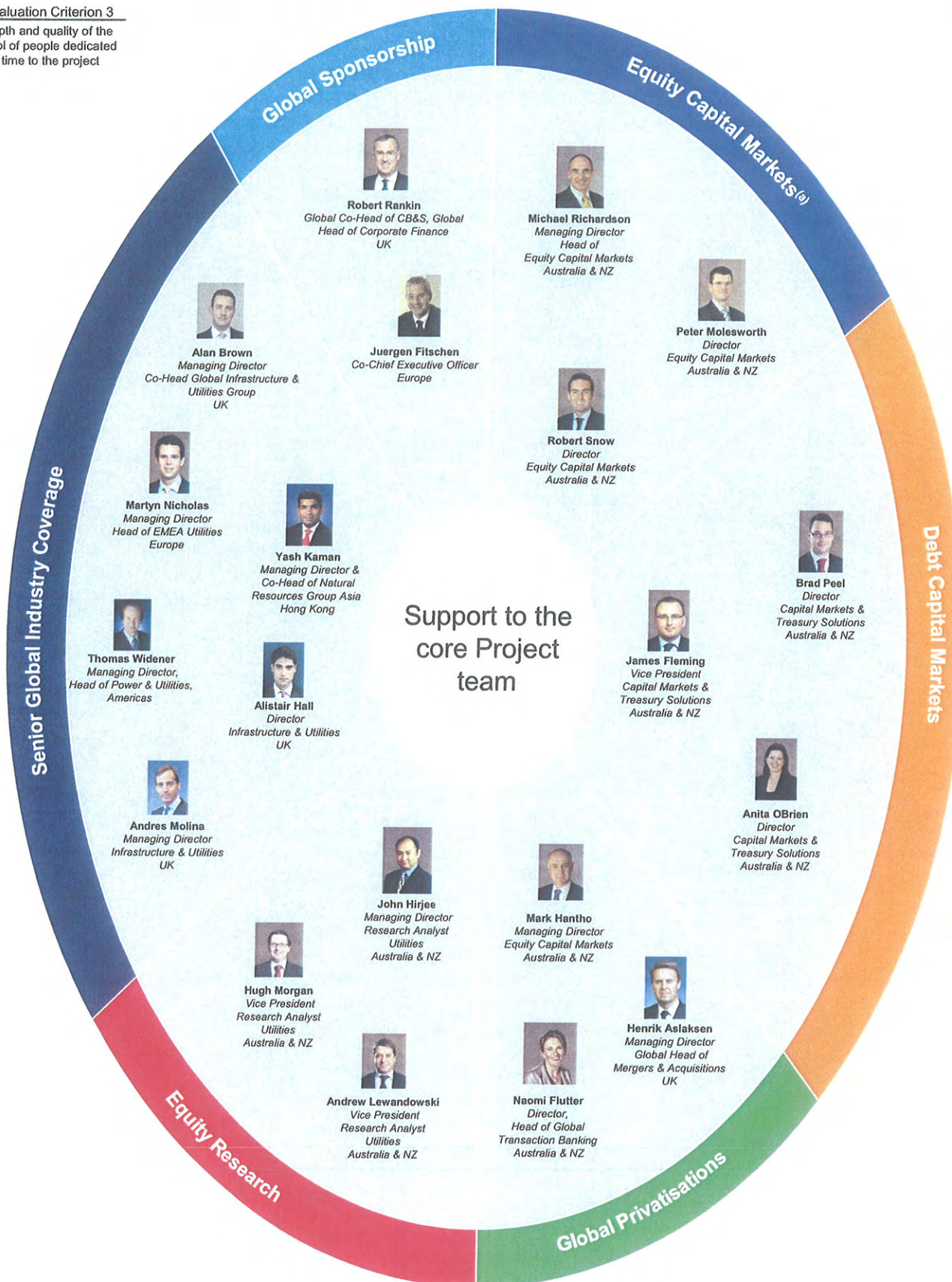
The
Treasury

Evaluation Criterion 3
Proposed Deutsche Bank support team
 Available as required



Evaluation Criterion 3

Depth and quality of the pool of people dedicated full time to the project



(a) The above members of our Equity Capital Markets team will be available for Phase Two of the Project following completion of the sale of Medibank

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Evaluation Criterion 4

Demonstrated understanding of the financial, commercial, policy and regulatory issues in a government context relevant to the Project



The
Treasury



Evaluation Criterion 4

Evaluation Criterion 4	Category	Sub-category	Issues	Reference
Demonstrated understanding of the financial, commercial, policy and regulatory issues in a Government context relevant to the Project	Financial	Valuation	– Methodology	4.2.1
			– Key value drivers – trade buyers	4.2.2
			– Indicative valuation outcome – trade sale	4.2.3
		Capital Structure	– Approach to valuation IPO	4.2.4
			– Current primary market dynamics	4.6.2
			– Debt capacity	4.6.3
			– Debt capacity – IPO	4.6.3.1
			– Debt capacity – trade sale	4.6.3.2
			– Other considerations – debt capacity	4.6.4
		Governance	– Governance rights in a trade sale	4.3.1
			– Governance rights in an IPO	4.3.2
	Commercial	Retained stake held	– Retained stake being held in Future Fund entity	4.3.3
		Market conditions	– Market's ability to digest three sales	4.4
			– Potential investor interest	4.4.1
			– Precedent transactions which inform us on key bidder themes	4.4.2
			– Preliminary market feedback	4.4.3
			– Market capacity for IPO/s	4.5
			– Considerations in relation to sale via IPO	4.5.1
			– IPO market conditions	4.5.2
			– Listed equity investor attitudes and regulated asset section	4.5.3
			– Public investor attitudes and minority ownership	4.5.4
			– Timing of a sale via IPO	4.5.5
		Debt market	– Debt market conditions	4.6
			– Market conditions	4.6.1
	Policy/ regulatory	Business restructuring	– What are the commercial and regulatory separation issues?	4.7.2
			– What are the employee impacts and prospective industrial issues and strategies?	4.7.3
			– What are the business preparation issues required to maximise value?	4.7.4
			– Preparing the business for sale	4.7.4.1
			– Establishing the entity to hold the Government's 51% retained interest in the Network Businesses	4.7.4.2
		Enabling legislation	– Lease/investment structure	4.7.1
			– Other business preparation issues	4.7.5
			– Board and management changes	4.7.5.1
			– Internal structuring	4.7.5.2
			– What are the issues to be addressed through the enabling legislation?	4.8

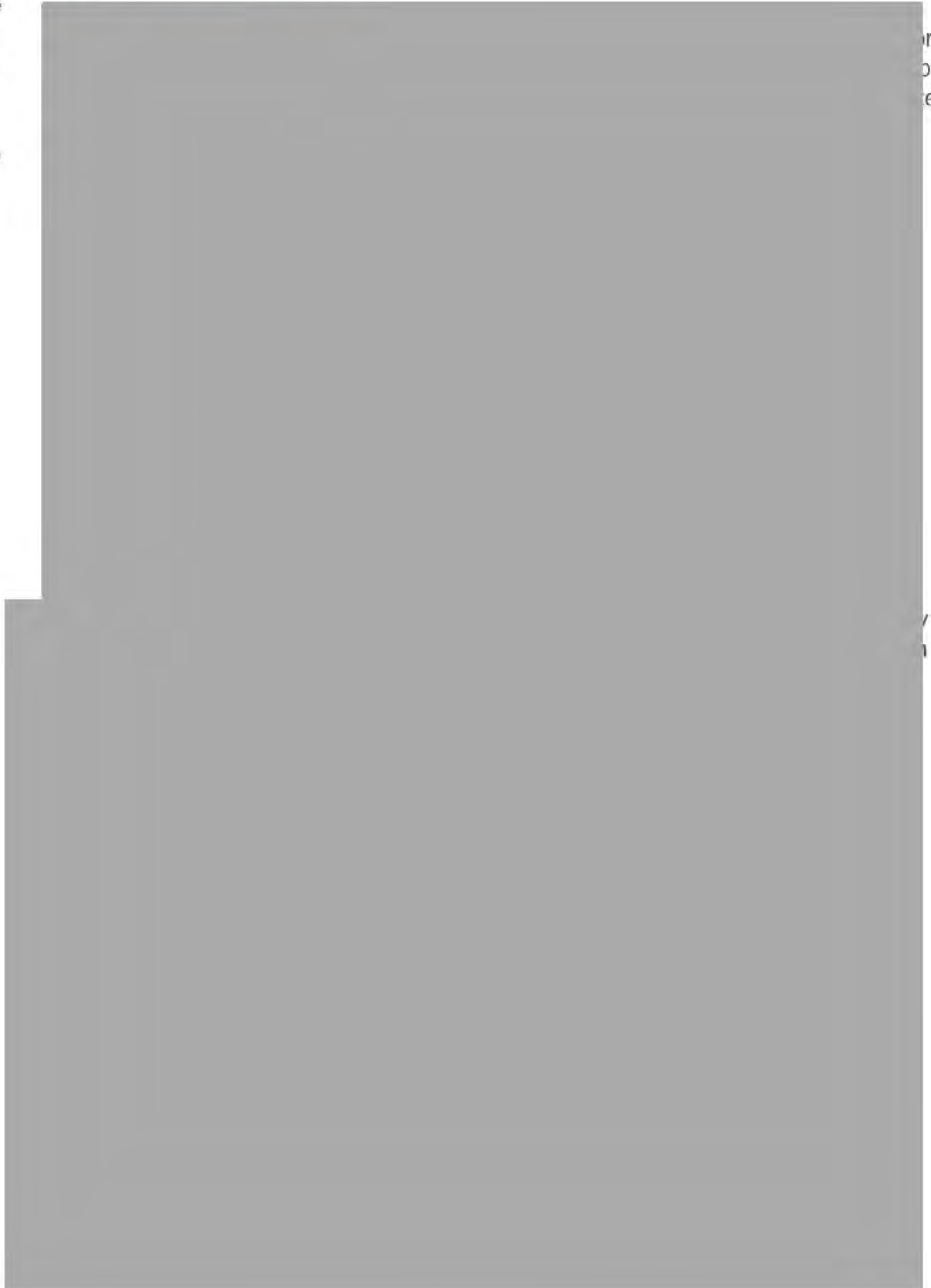
Each of these is addressed below.



4.1. Background

4.1.1. Scarcity of assets

Scarcity of investable regulated assets (globally and locally) provides a unique opportunity for NSW Treasury to maximise the value of its Network Businesses





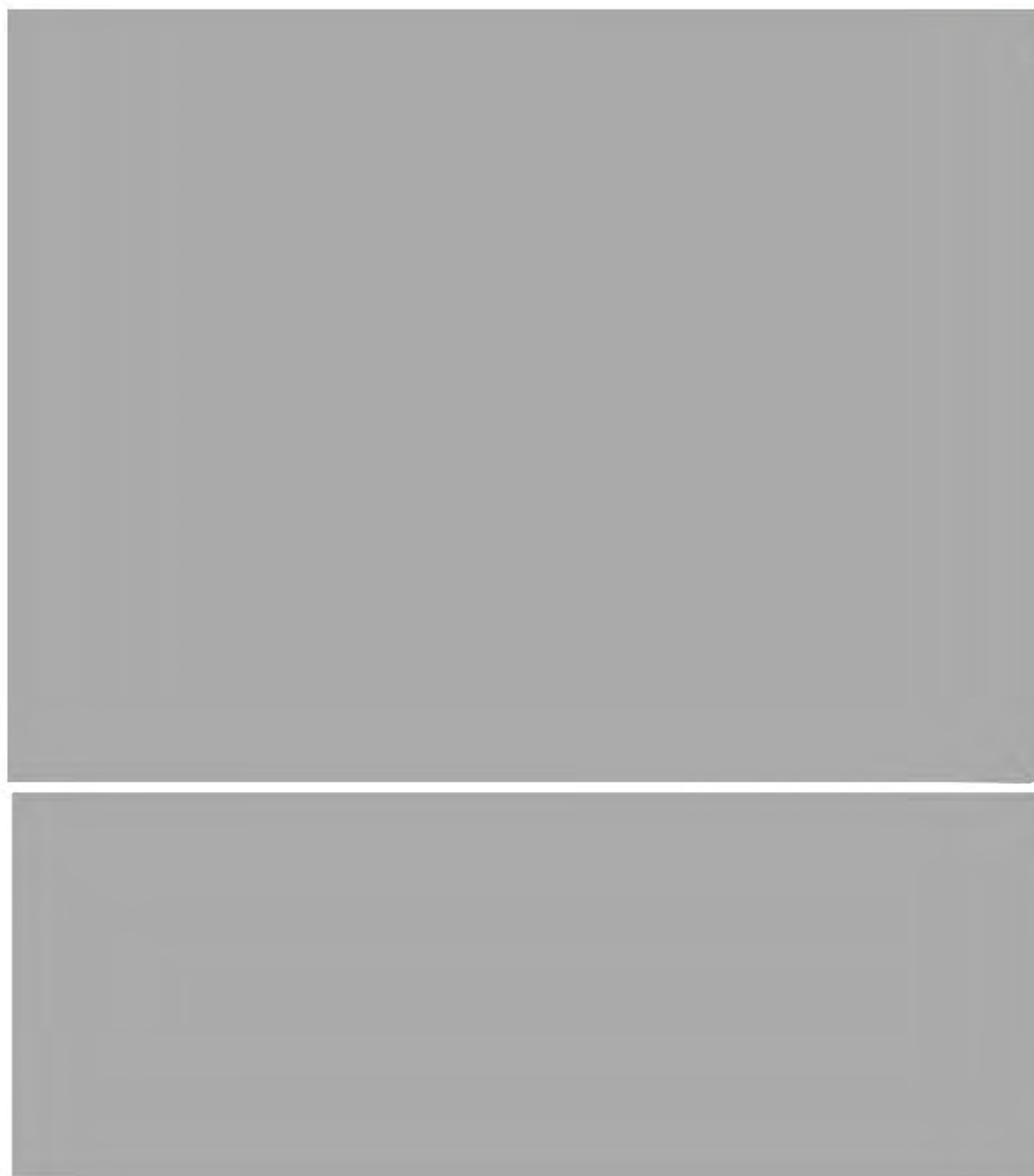
4.2. Valuation

4.2.1. Methodology

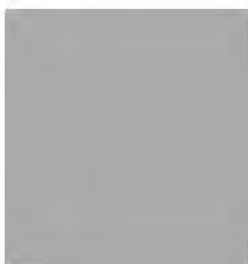






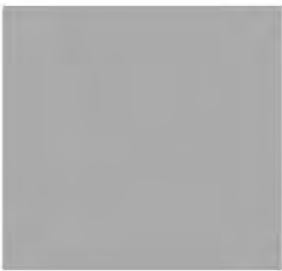


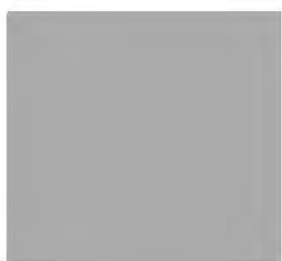
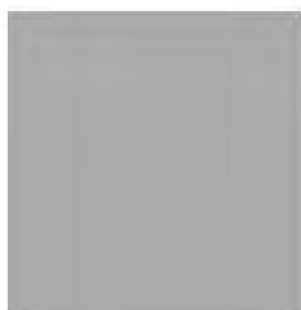
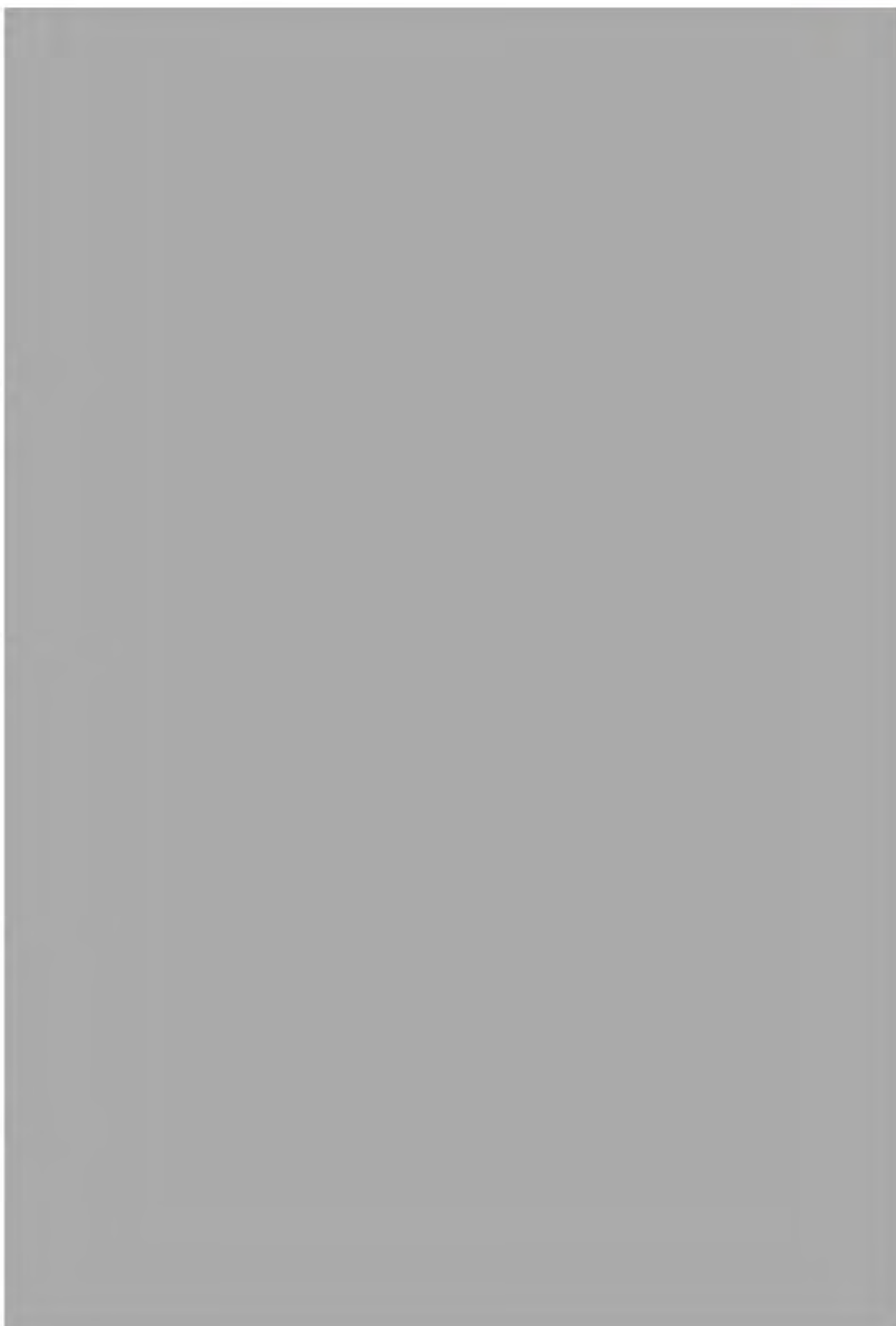




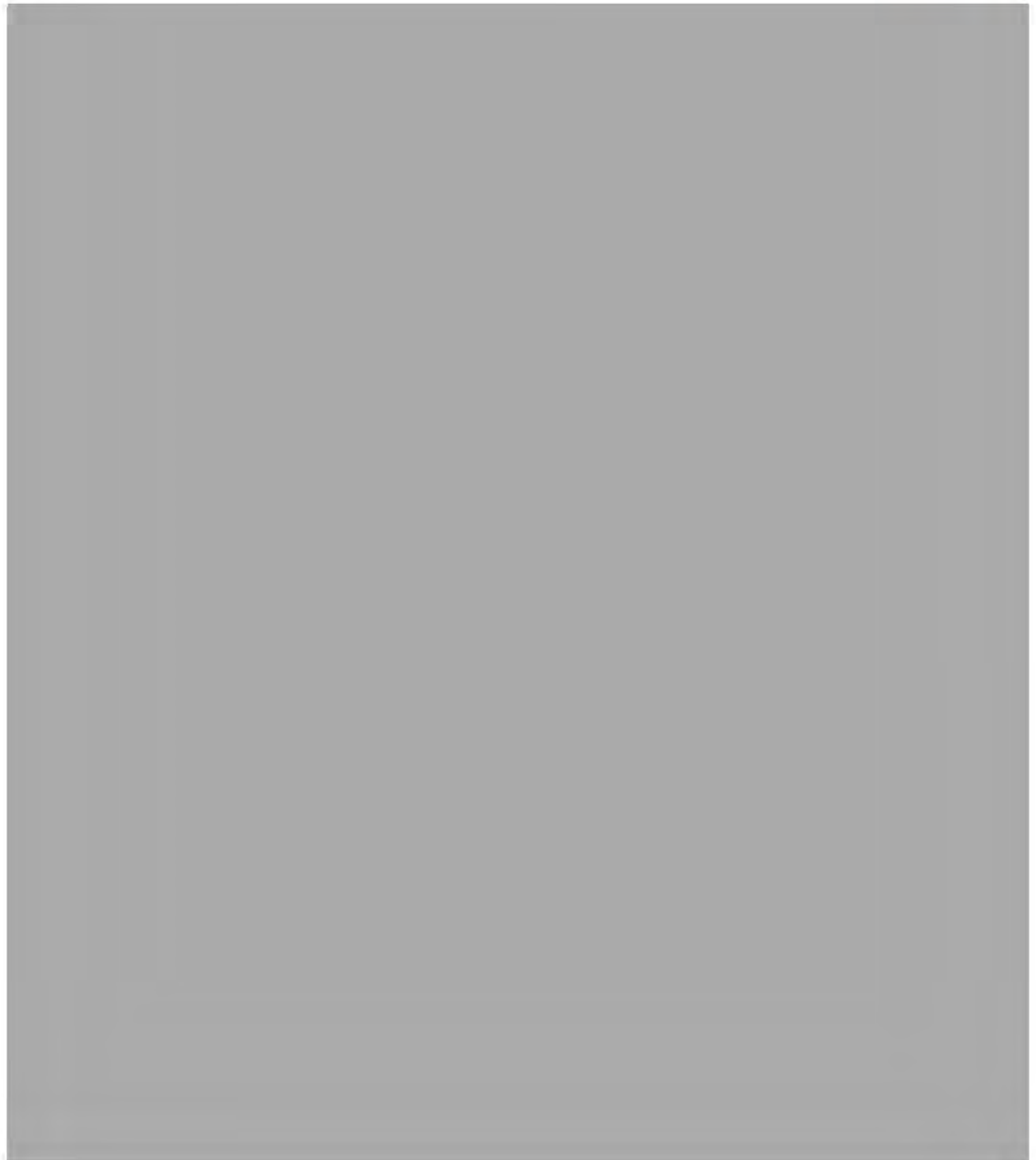












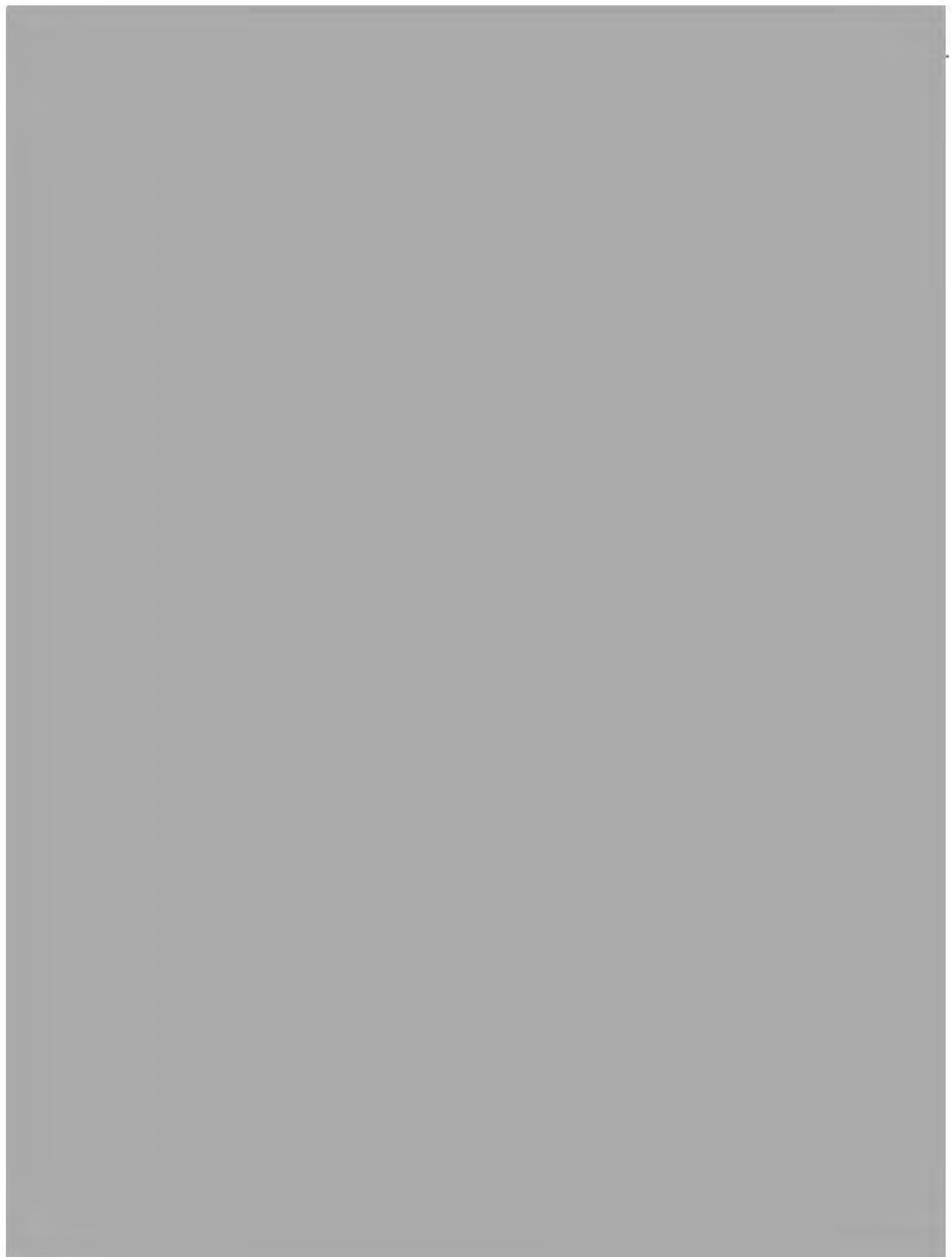


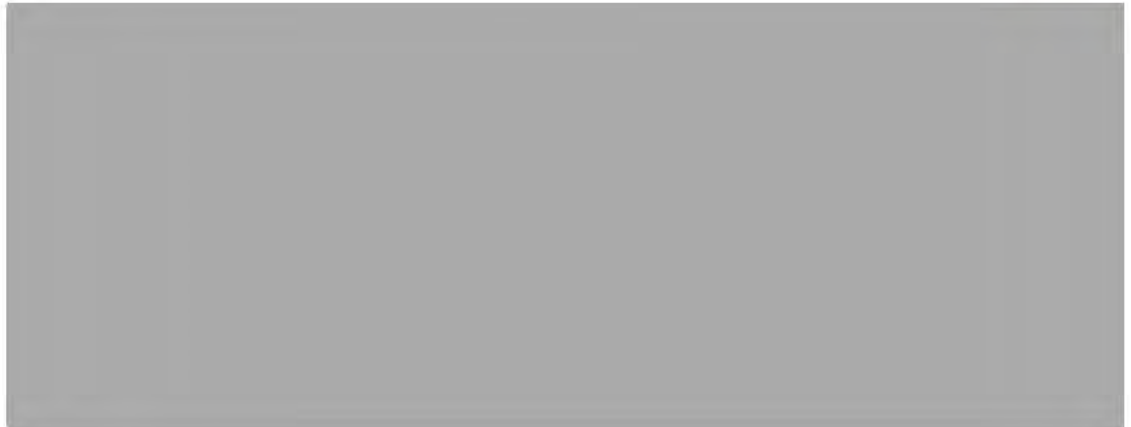
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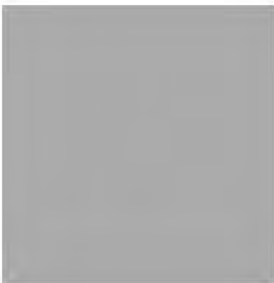
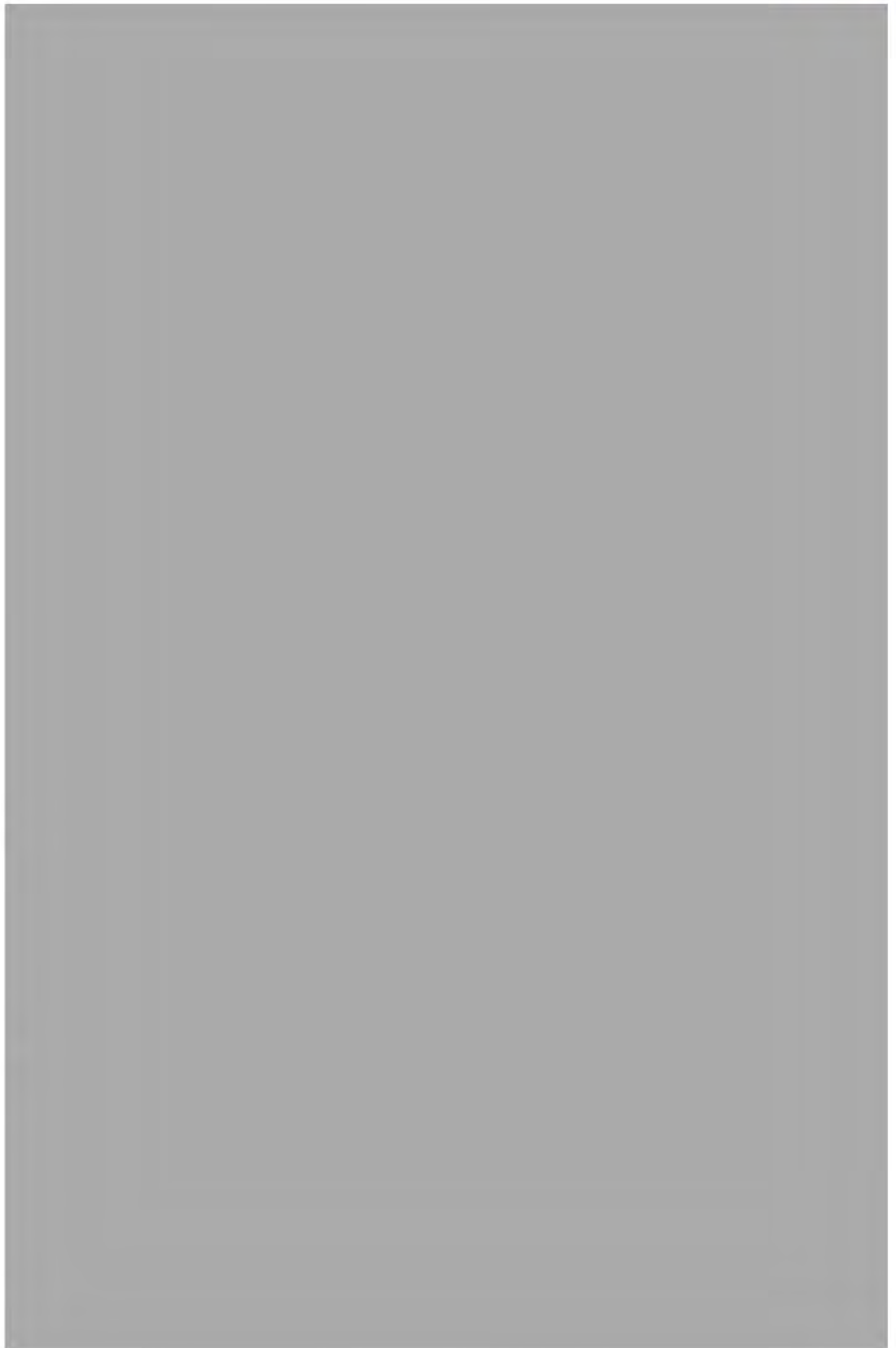


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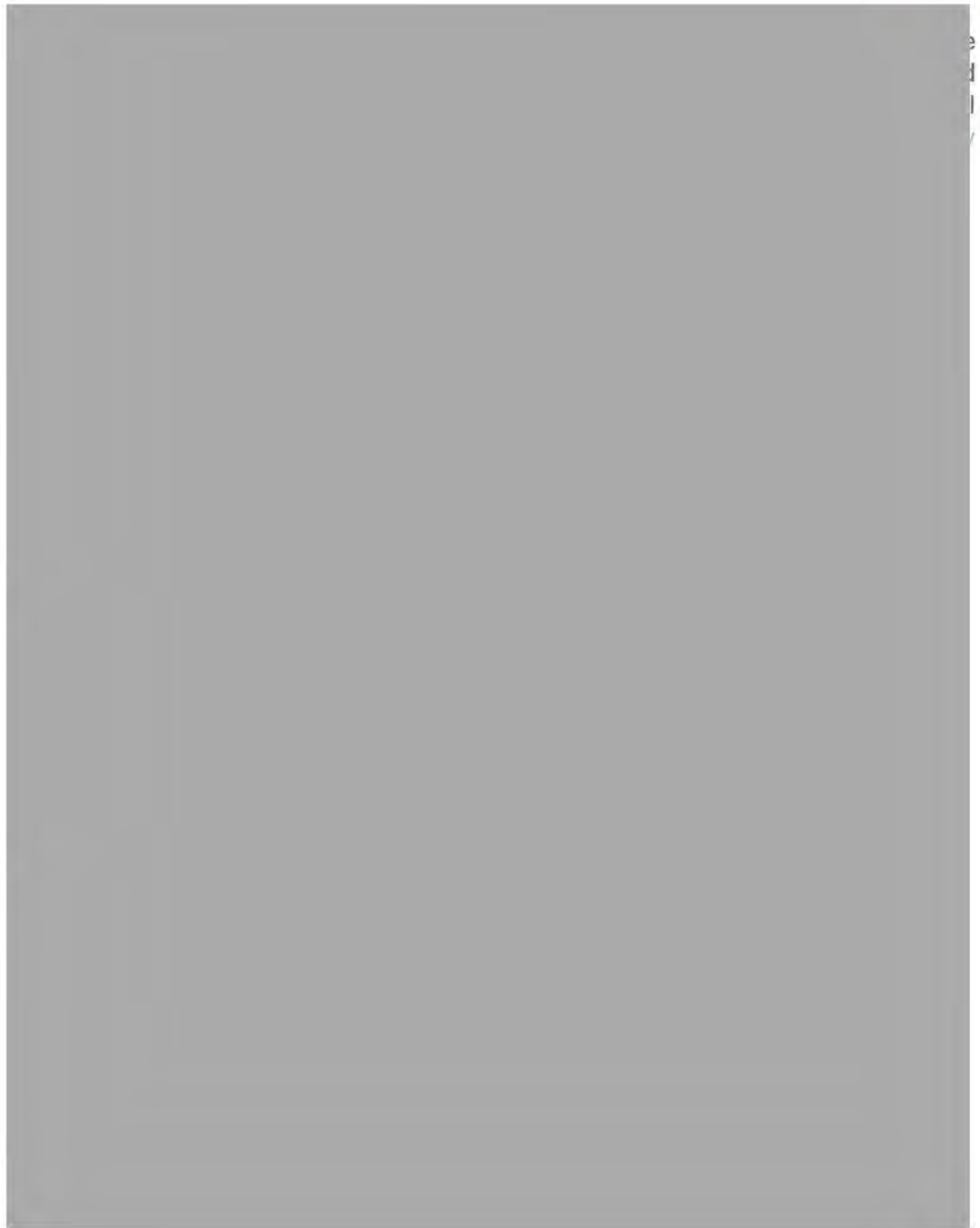
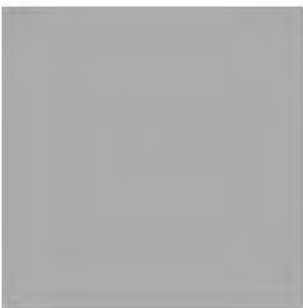


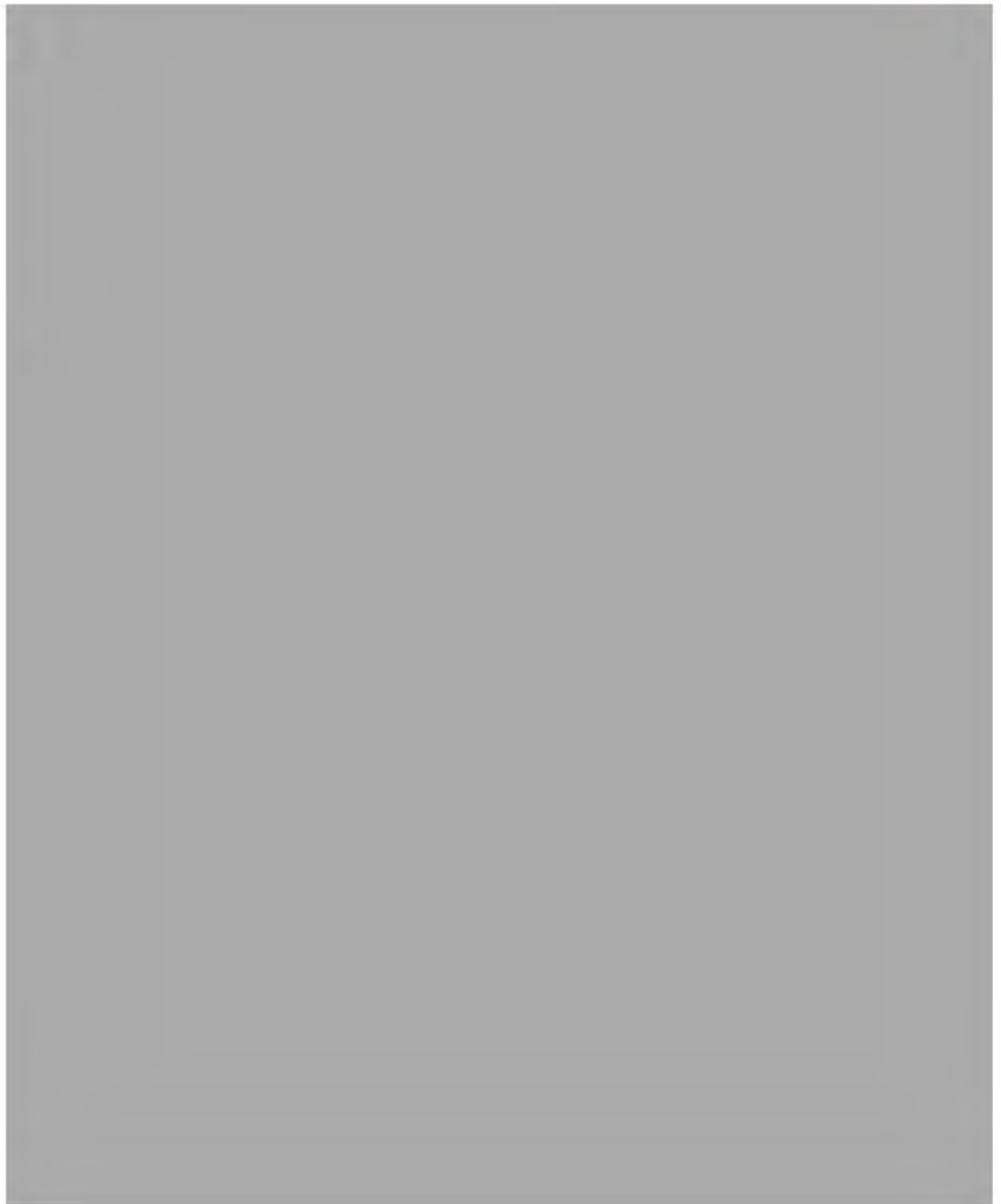






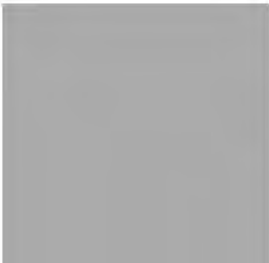
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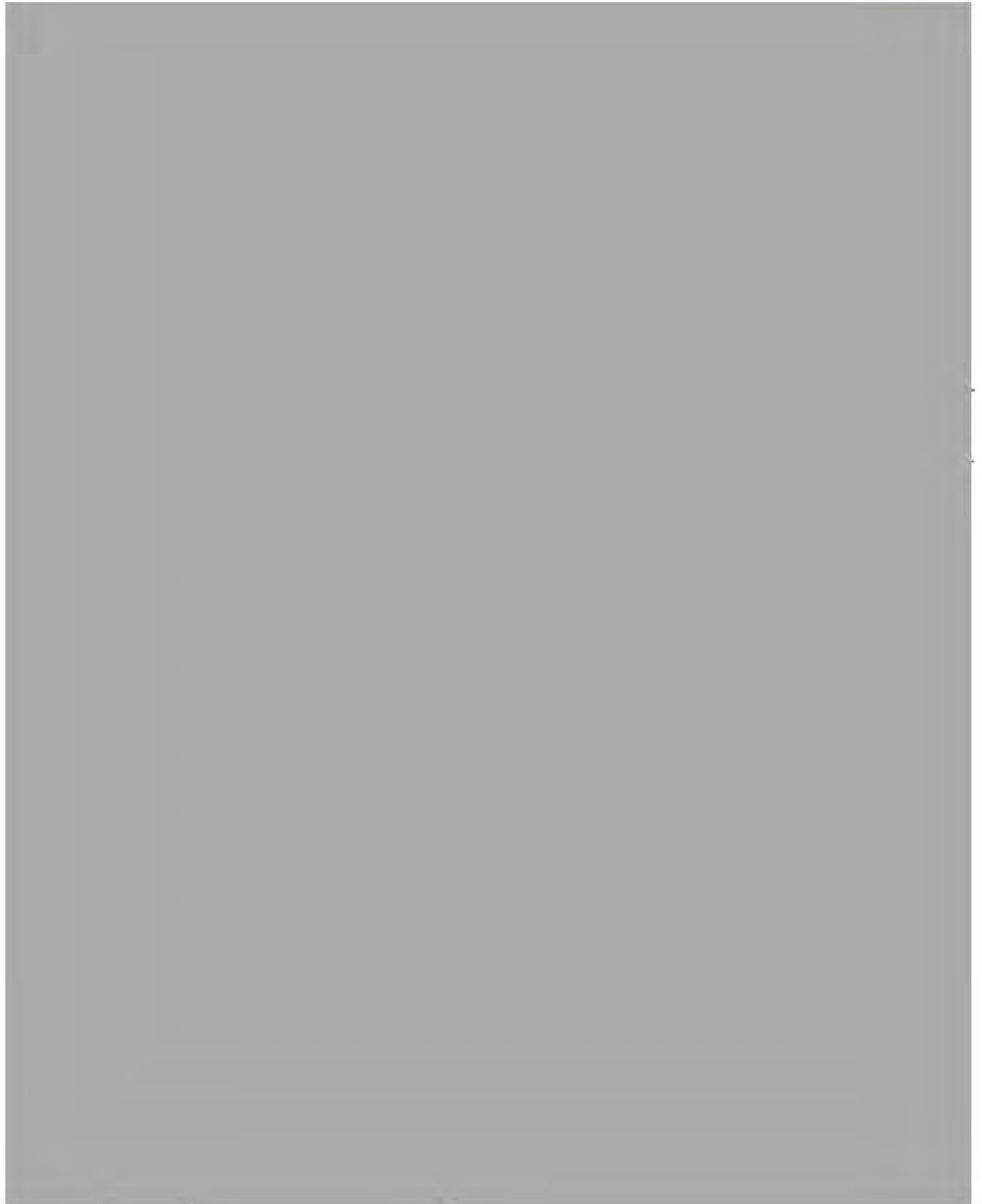






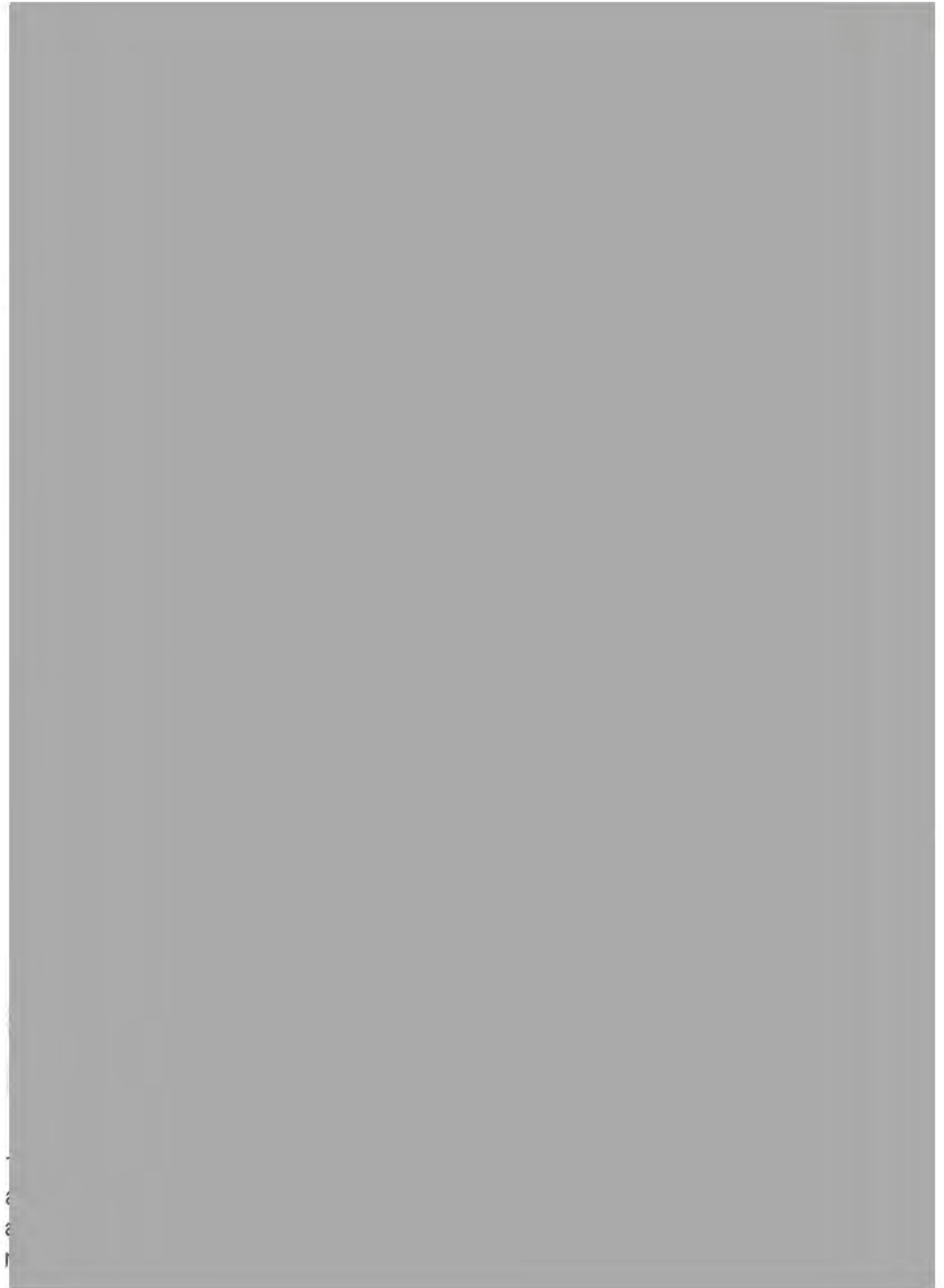


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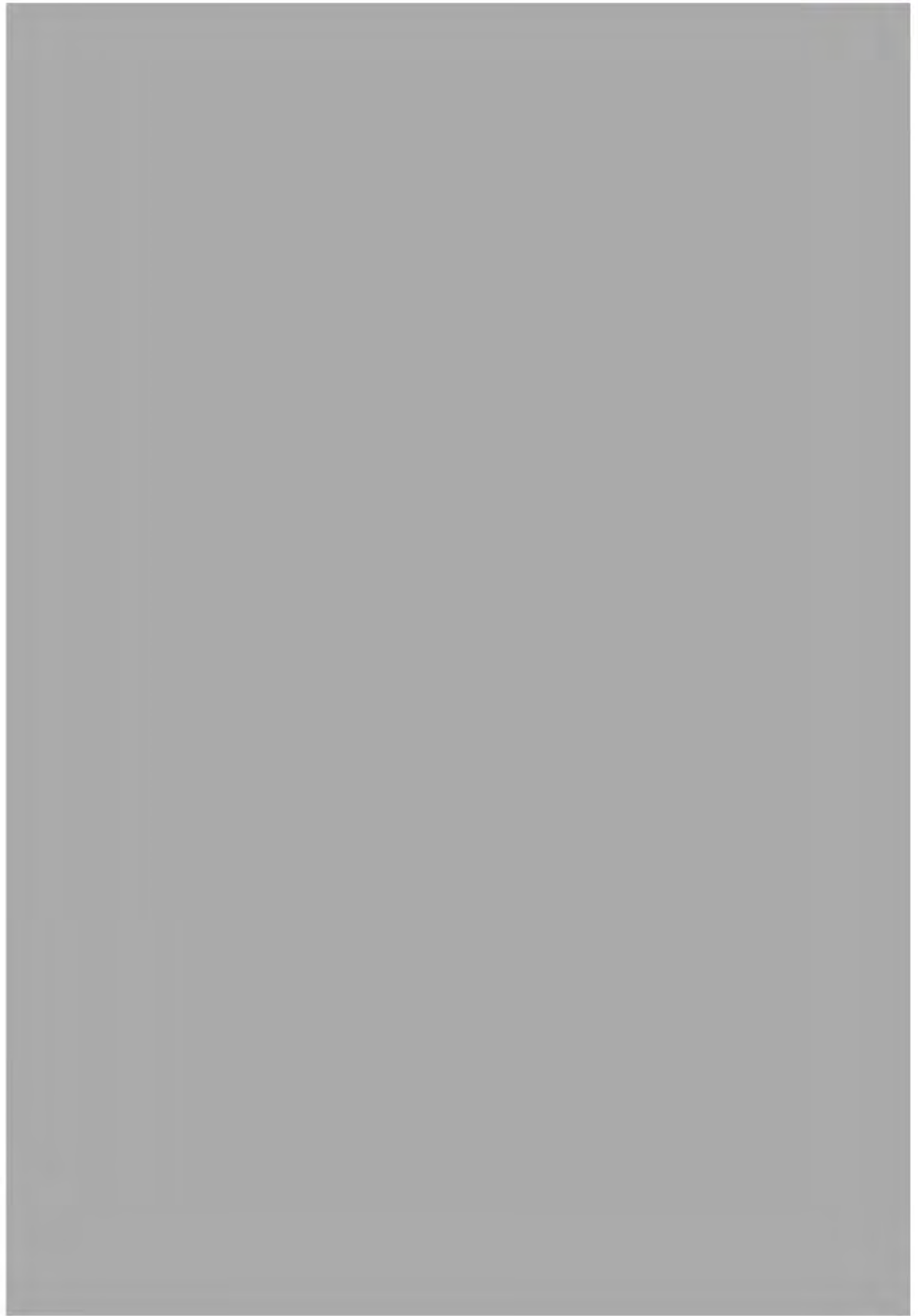


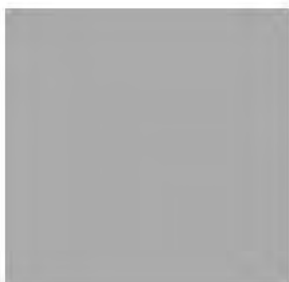






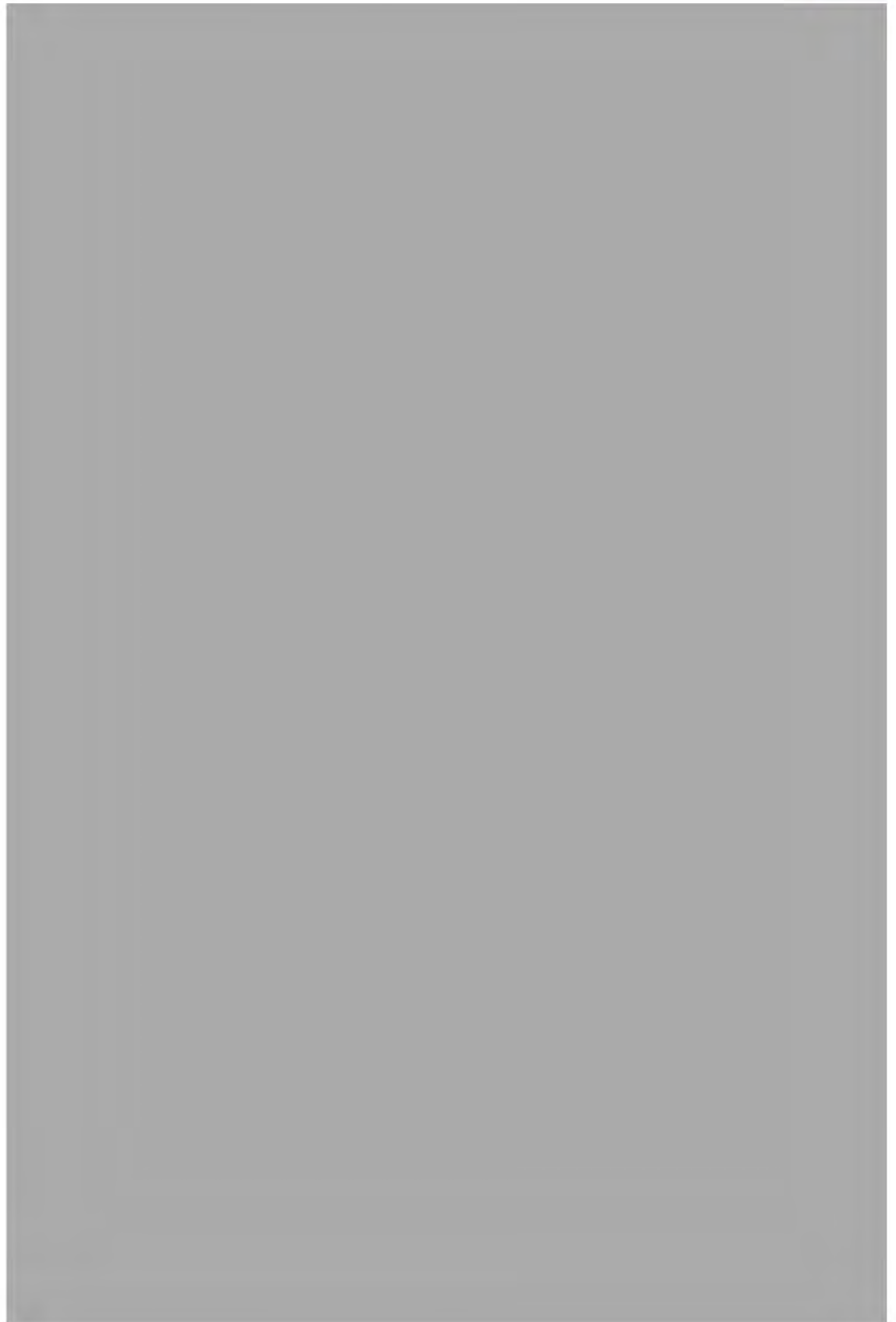




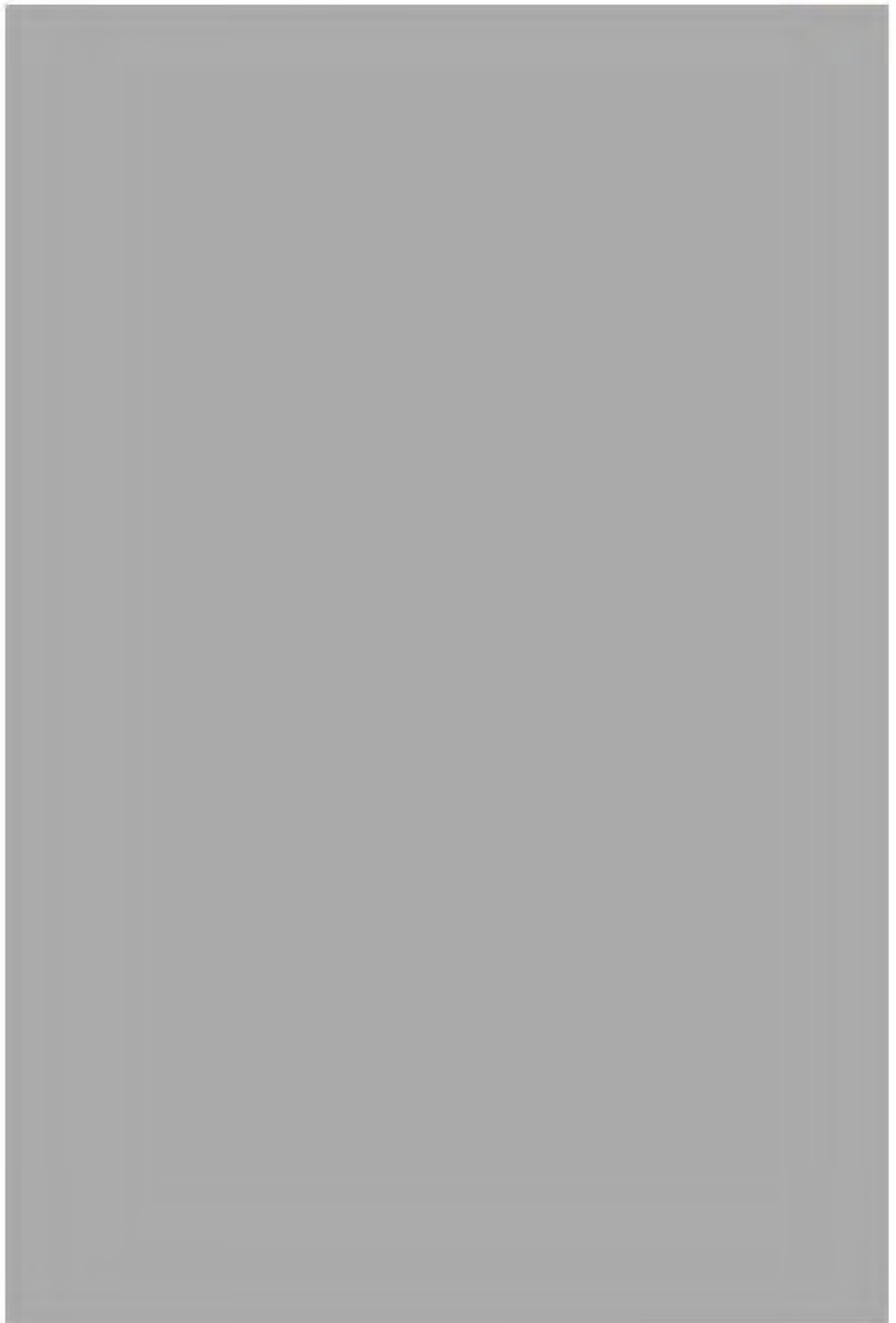


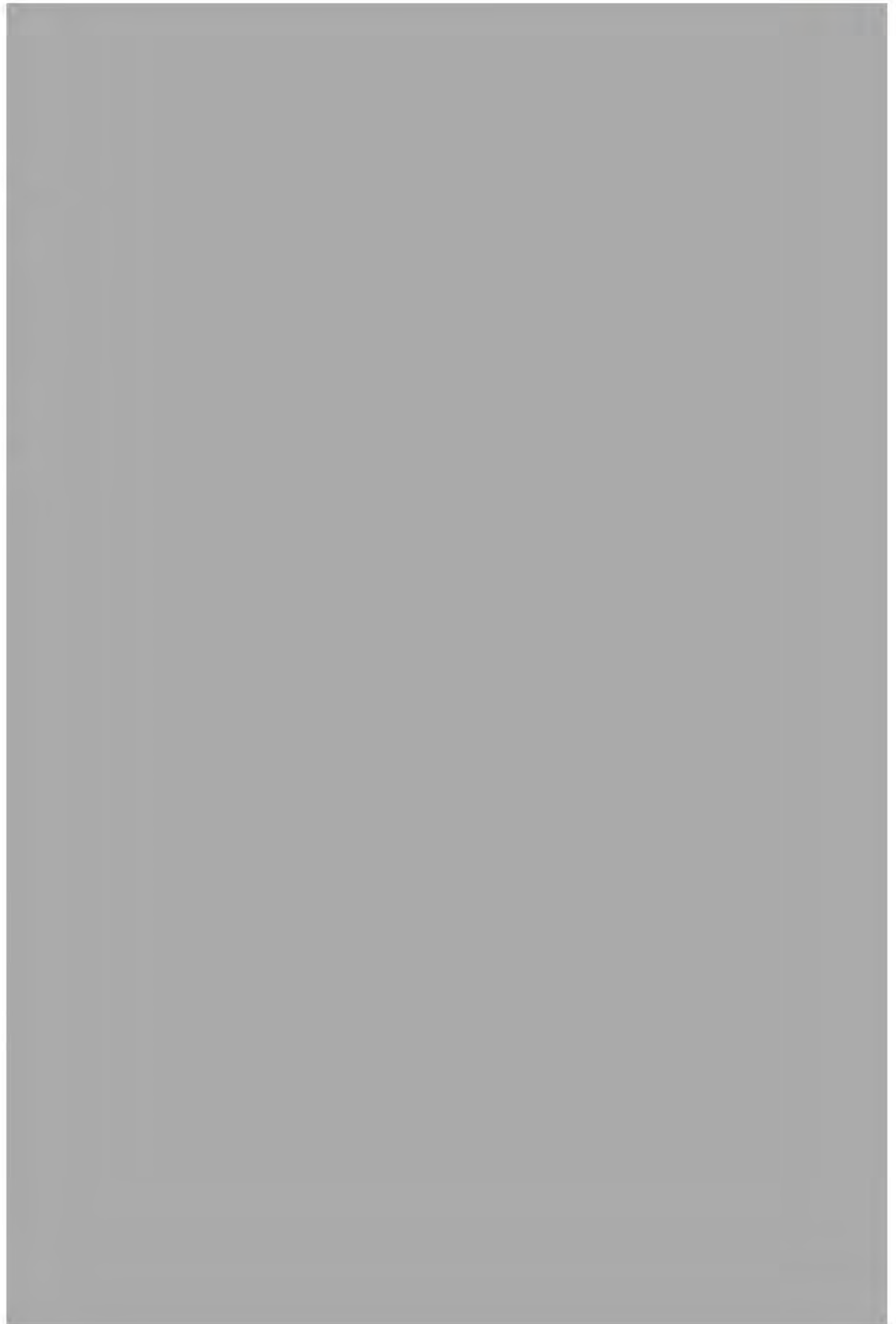
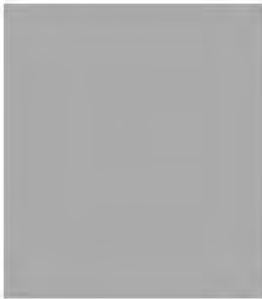


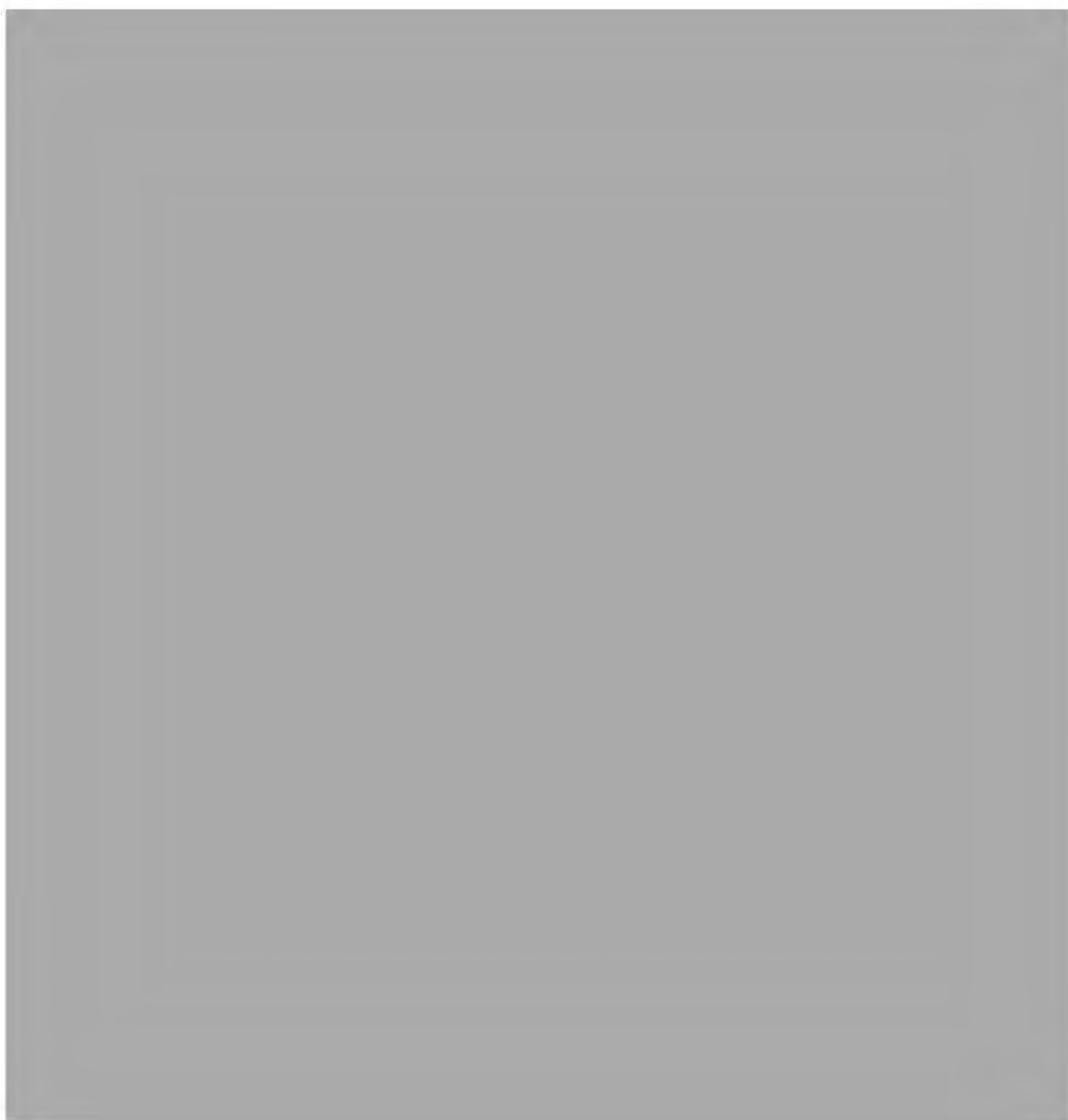
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4.9.1. Reserved matters





Evaluation Criterion 5

Demonstrated understanding of Government sell-side processes and the proposed approach to key aspects such as project management, engaging with the network businesses and key stakeholders, identifying key issues for the scoping study, undertaking vendor due diligence, and executing the transaction



Evaluation Criterion 5

Criteria component	Evidence	Reference
Demonstrated understanding of Government sell-side processes	– Previous experience	5.1
Proposed approach to project management	– Overall Project timetable	5.2.1
	– Phase One key	5.2.2
	– Detailed Phase One Project Plan	5.2.3
	– Project Team Structure	5.2.4
	– Coordination and Management of Project meetings	5.2.5
	– Appointment of a Project Coordinator	5.2.6
	– Maintain accountability protocols	5.2.7
	– Management of conflicts of interest	5.2.8
Proposed approach to engaging with the Network Businesses	– Liaising with the Network Businesses	5.3
Proposed approach to engaging with key stakeholders	– Identifying key stakeholders	5.4.1
	– Stakeholder considerations	5.4.2
Proposed approach to identifying key issues for the Scoping Study	– Risk management process	5.5.1
	– Preliminary key issues	5.5.2
Proposed approach to undertaking vendor due diligence	– Importance of Vendor Due Diligence	5.6.1
	– Deutsche Bank's role in Vendor Due Diligence	5.6.2
	– Phases of Vendor Due Diligence	5.6.3
	– Vendor due diligence considerations	5.6.4
Proposed approach to executing the transaction	– Sequencing and timing considerations	5.7
	– Transaction preparation and execution	5.8
	– Recommended Transaction Programme	5.9



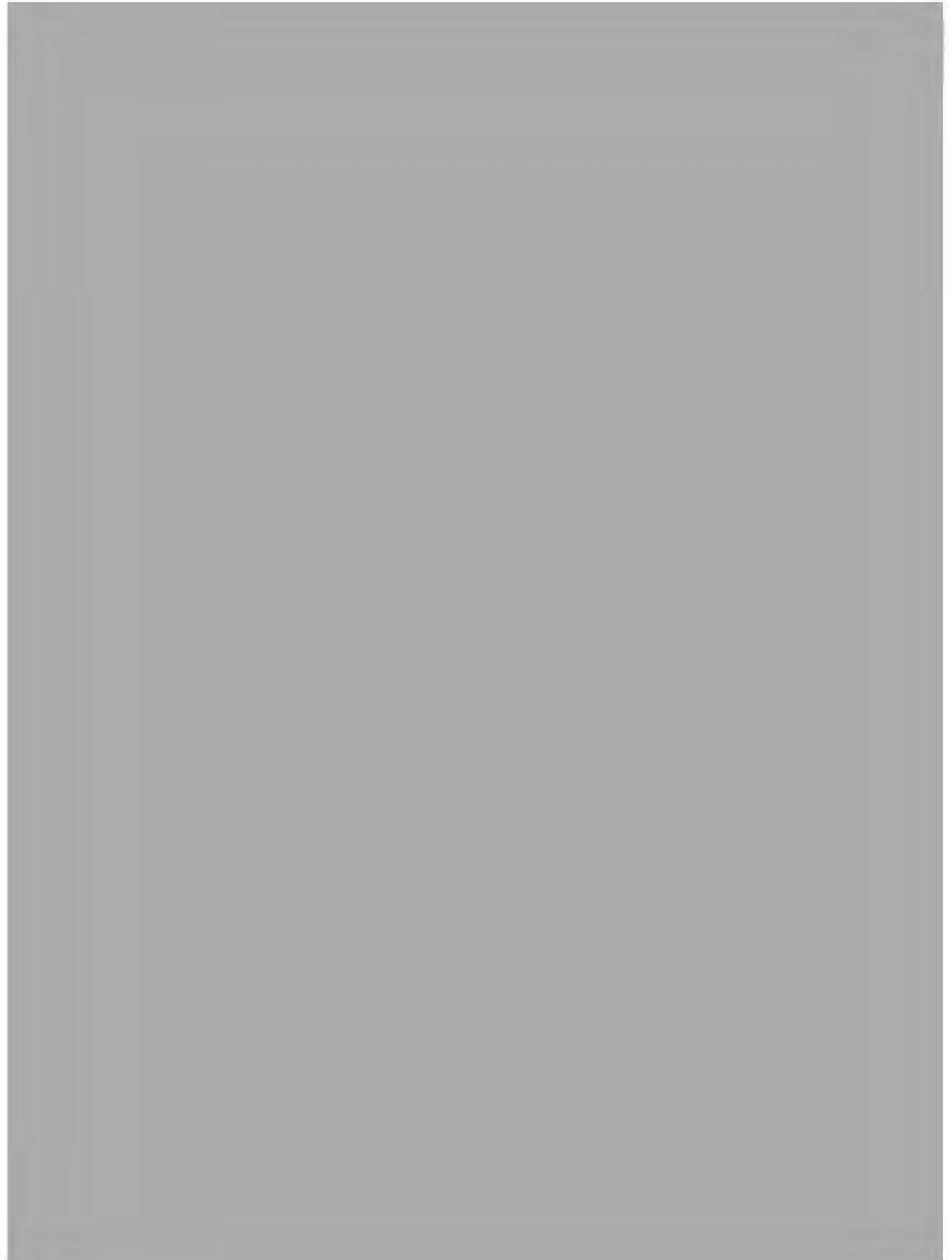
5.2. Our approach to Project Management

5.2.1. Overall project timetable





5.2.2. Phase One Key Workstreams



5.2.3. Proposed Project timetable – Phase One: Strategy Phase

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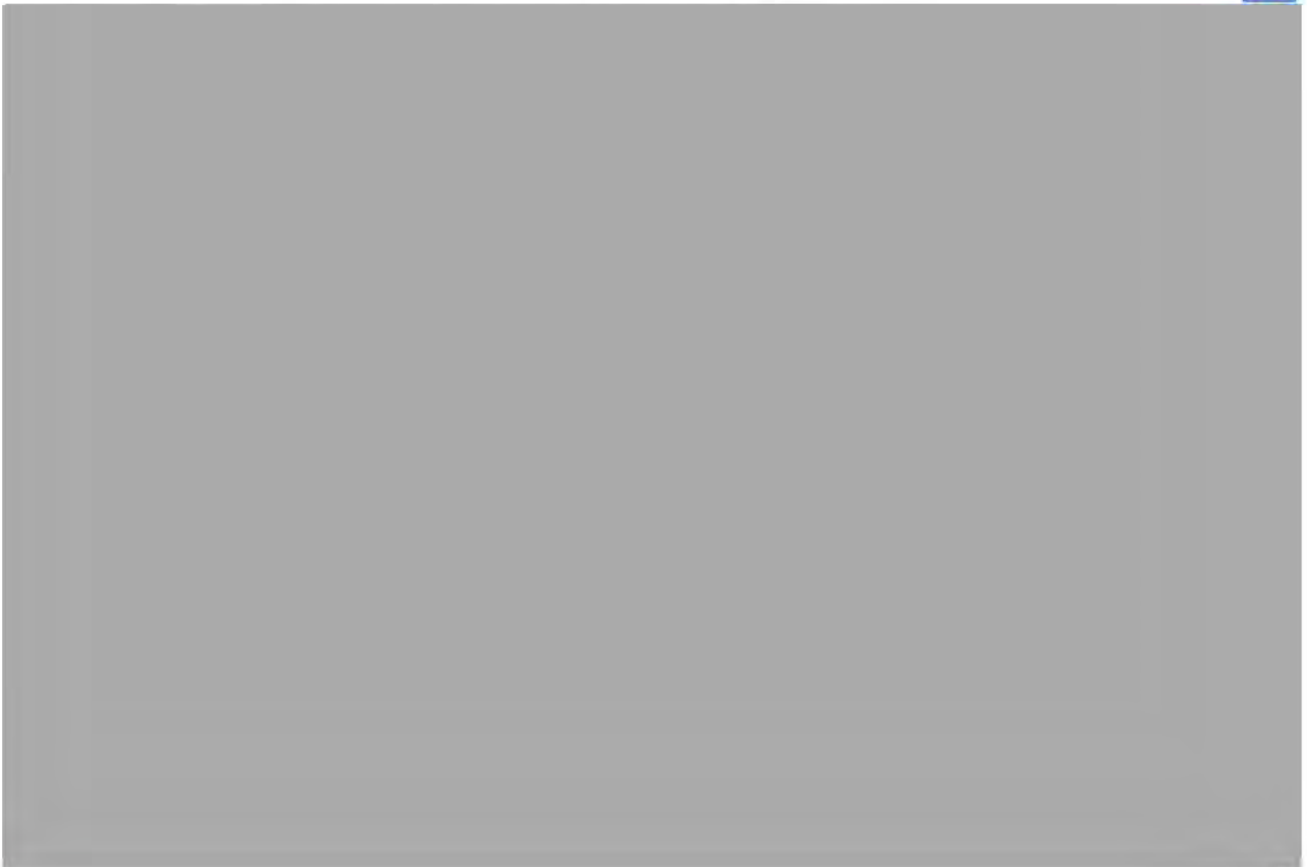


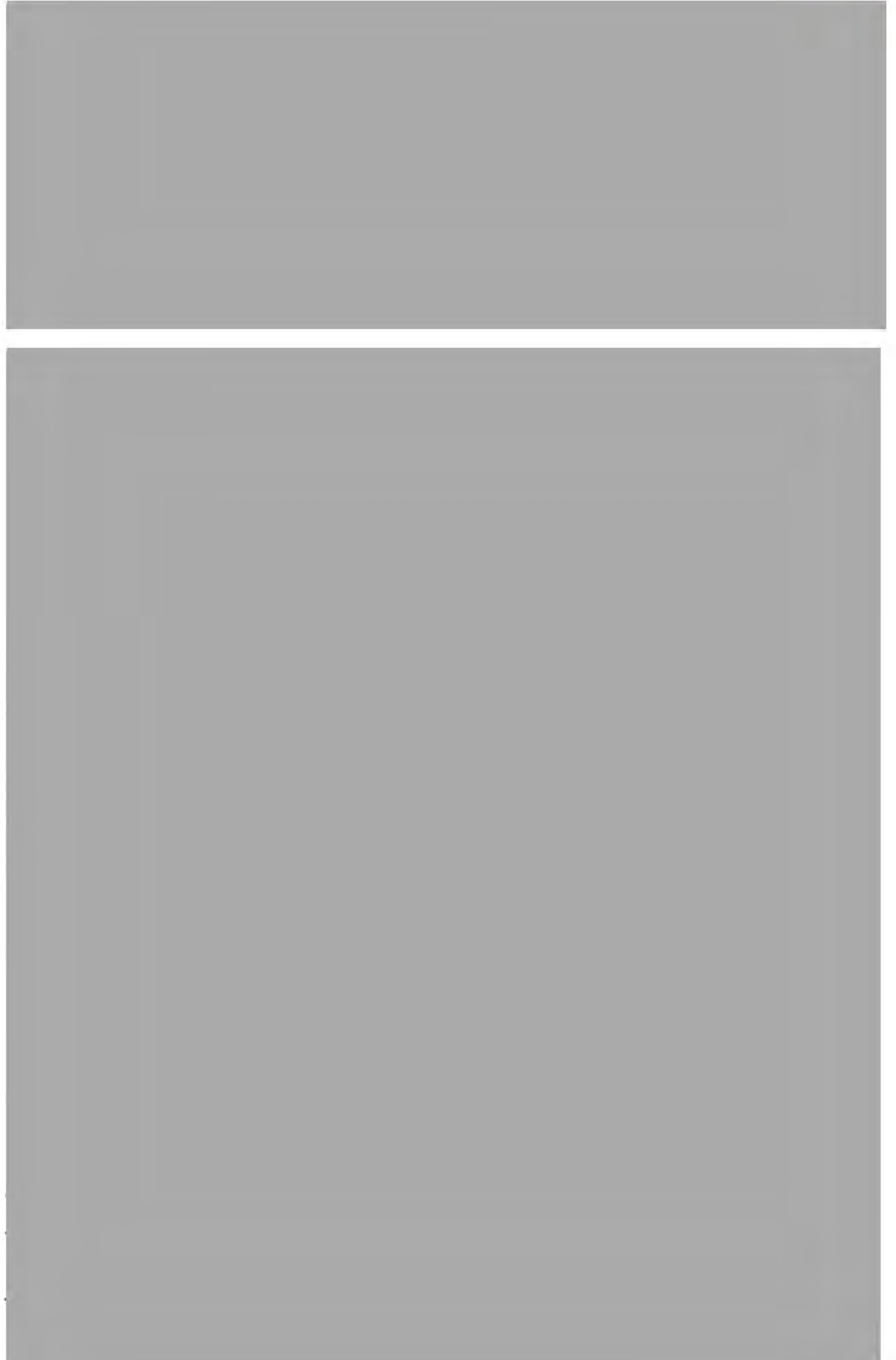
5.2.4. Project Team Structure



5.2.5 Project Management Structure – Phase One: Strategy Phase

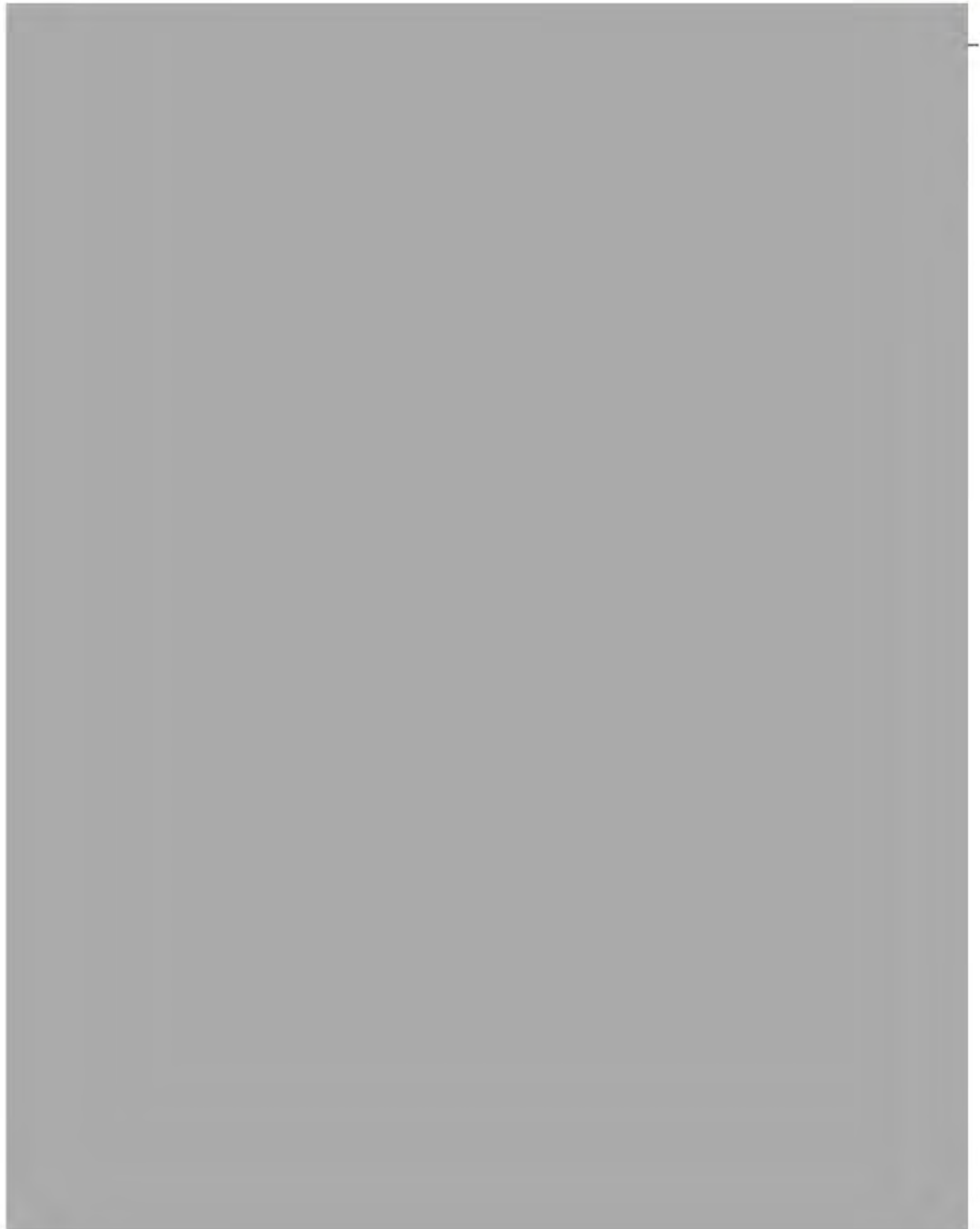
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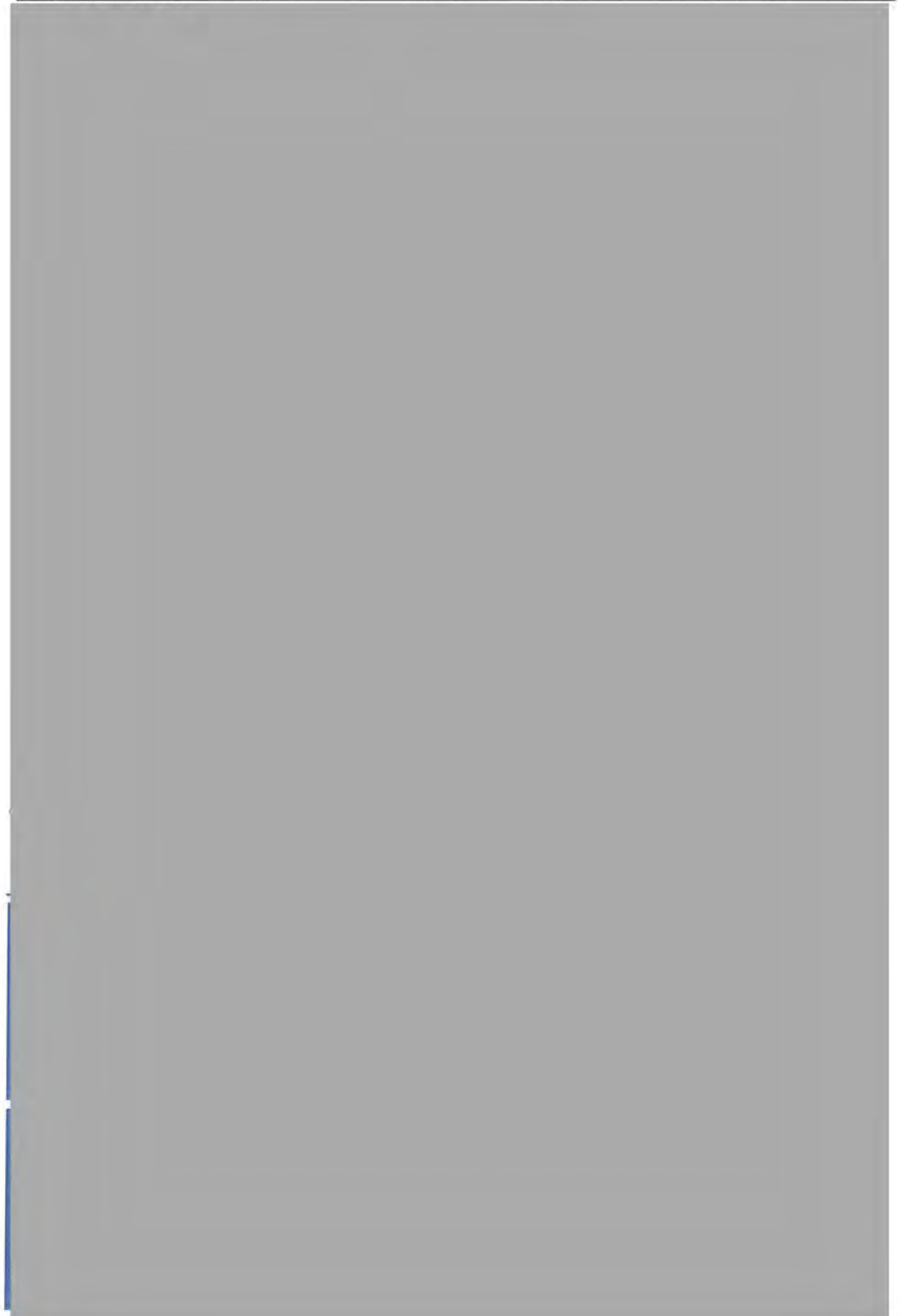








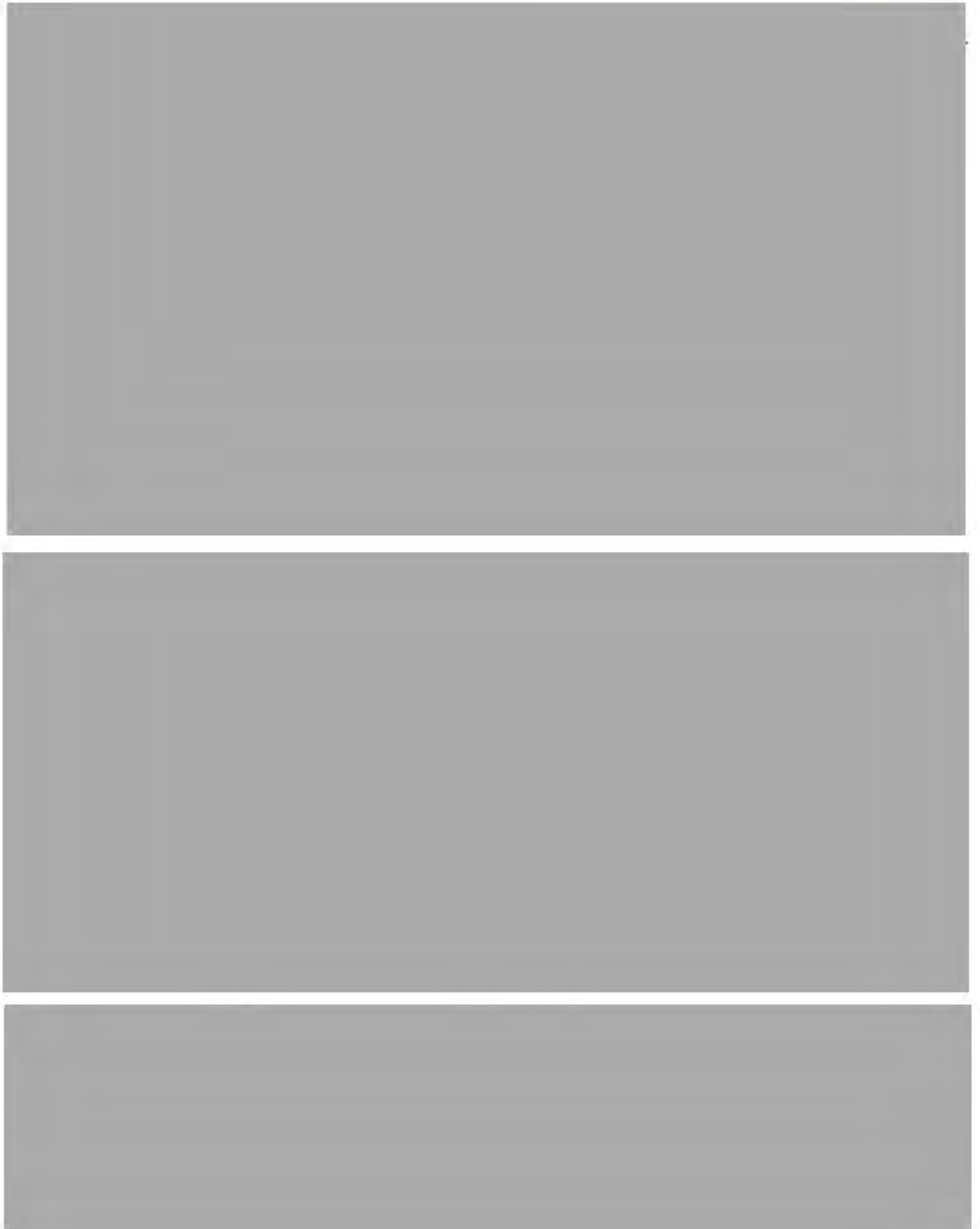
Stakeholder groups







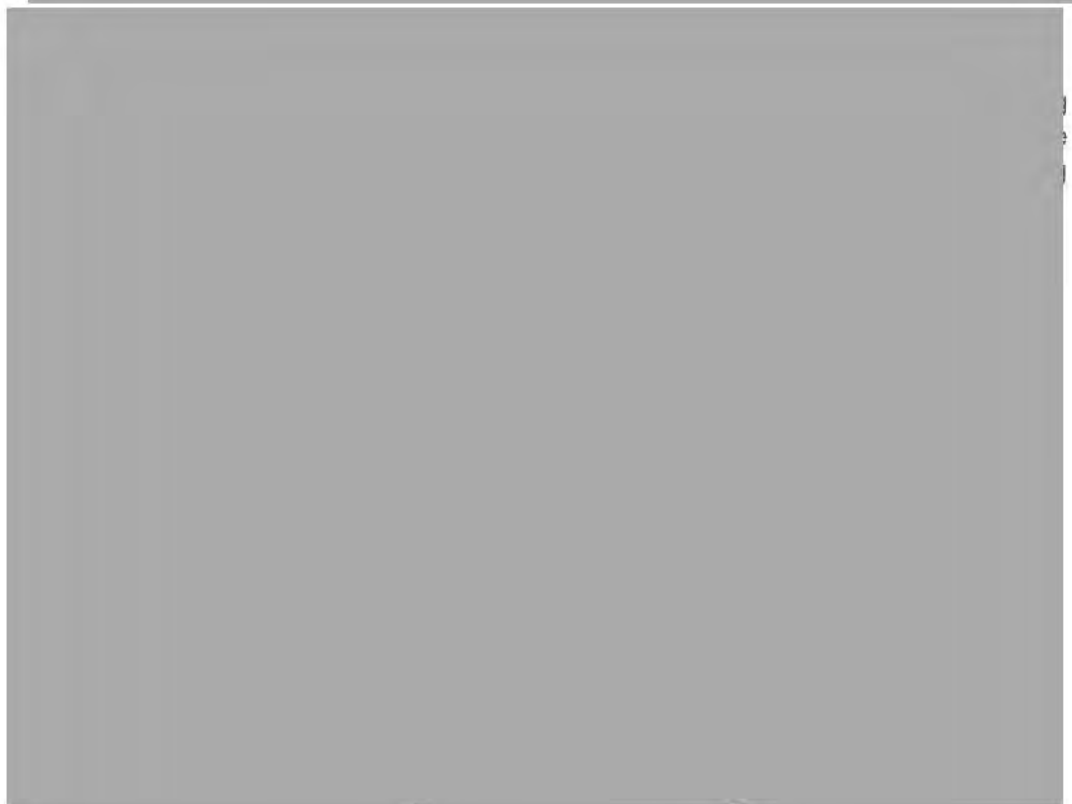
Stakeholder	Major considerations
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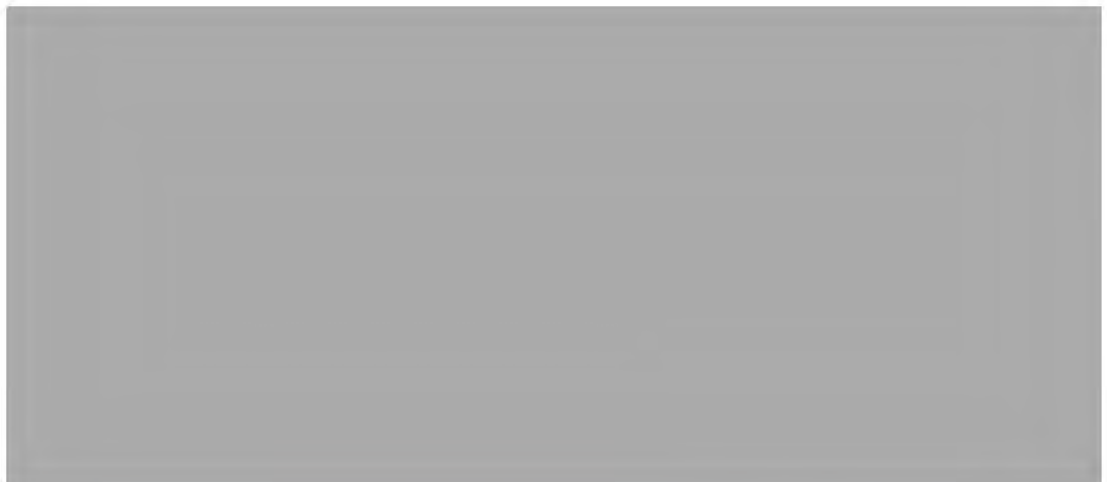


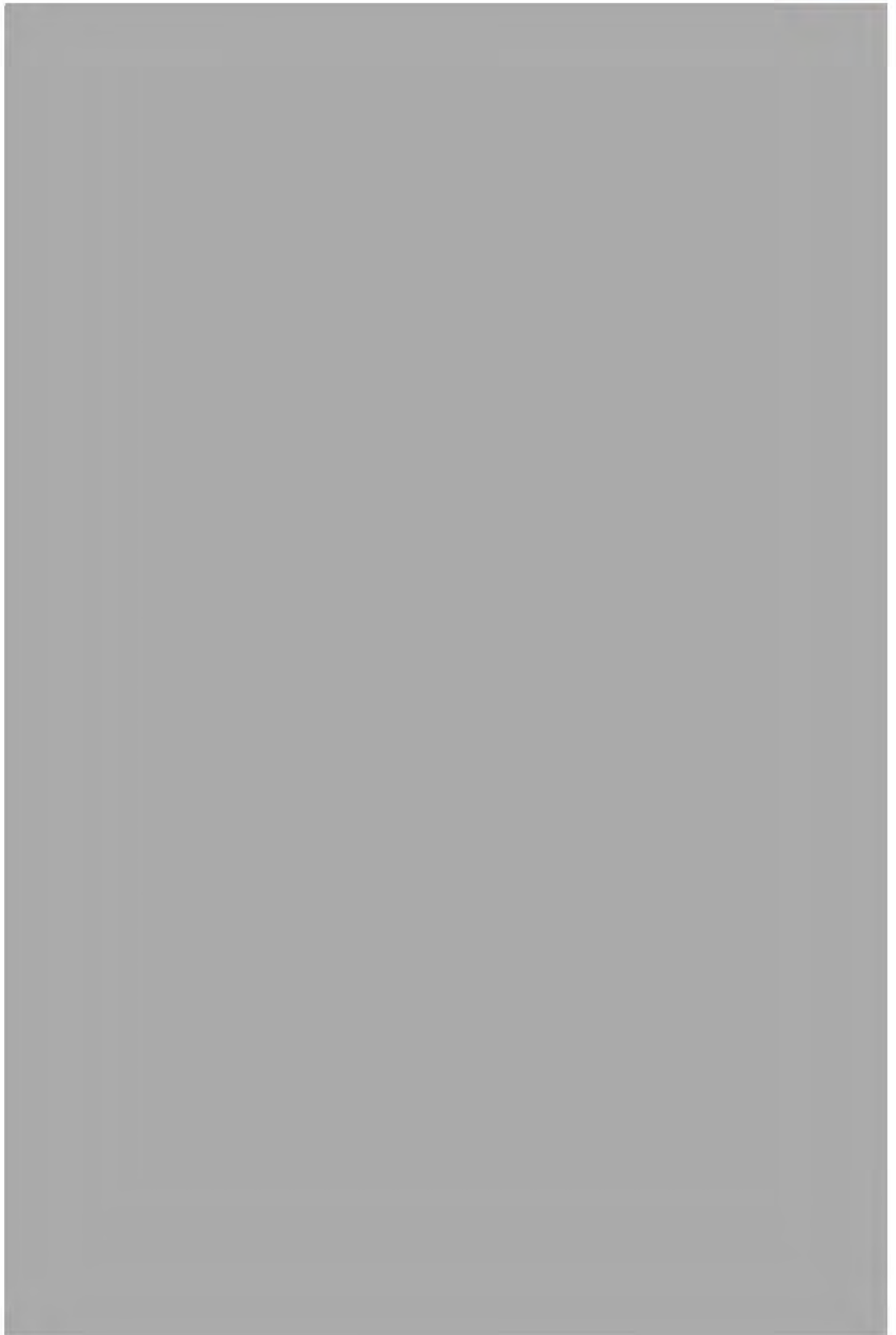
5.6. Approach to undertaking Vendor Due Diligence





5.6.3. Phases of Vendor Due Diligence

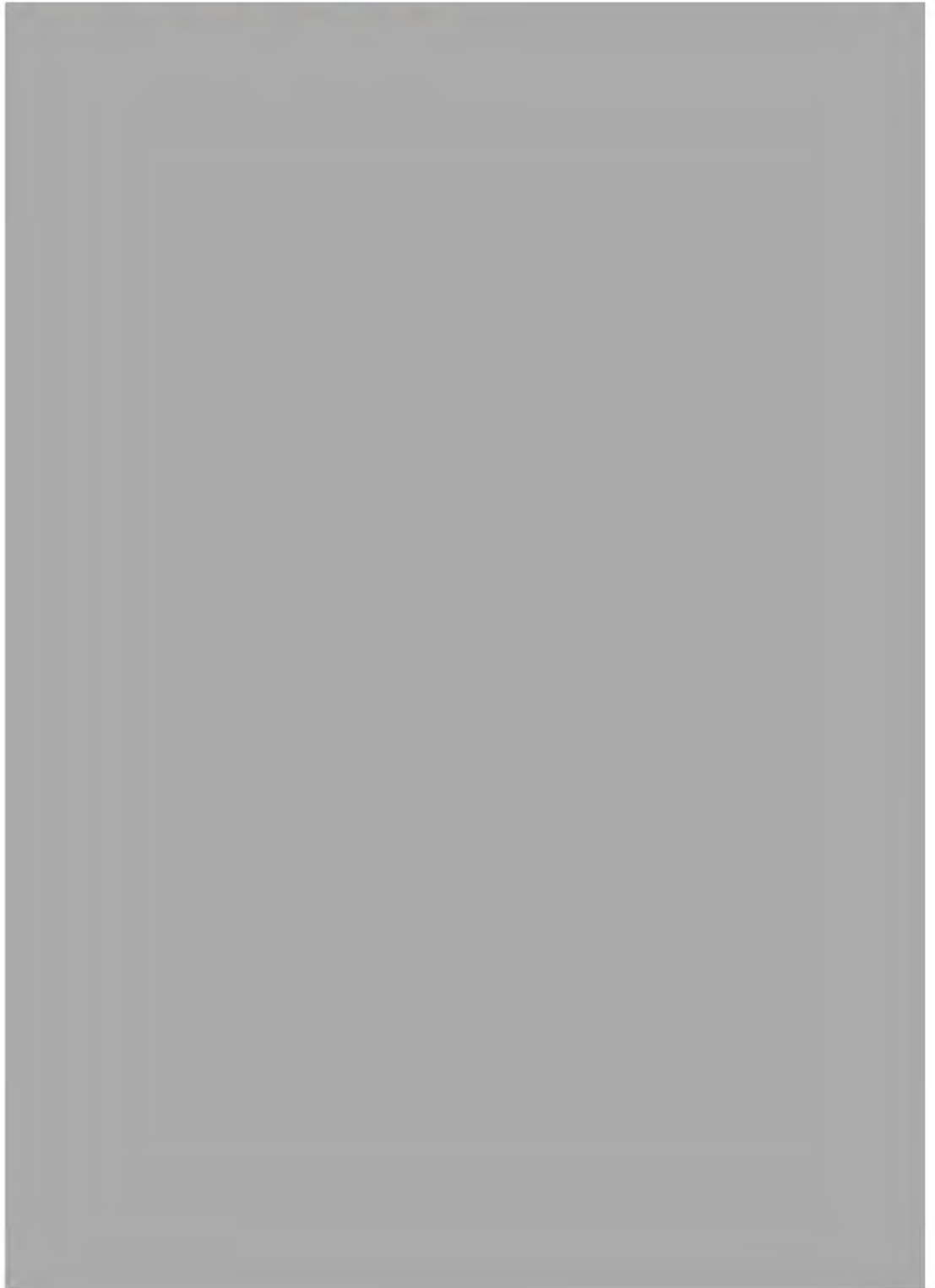




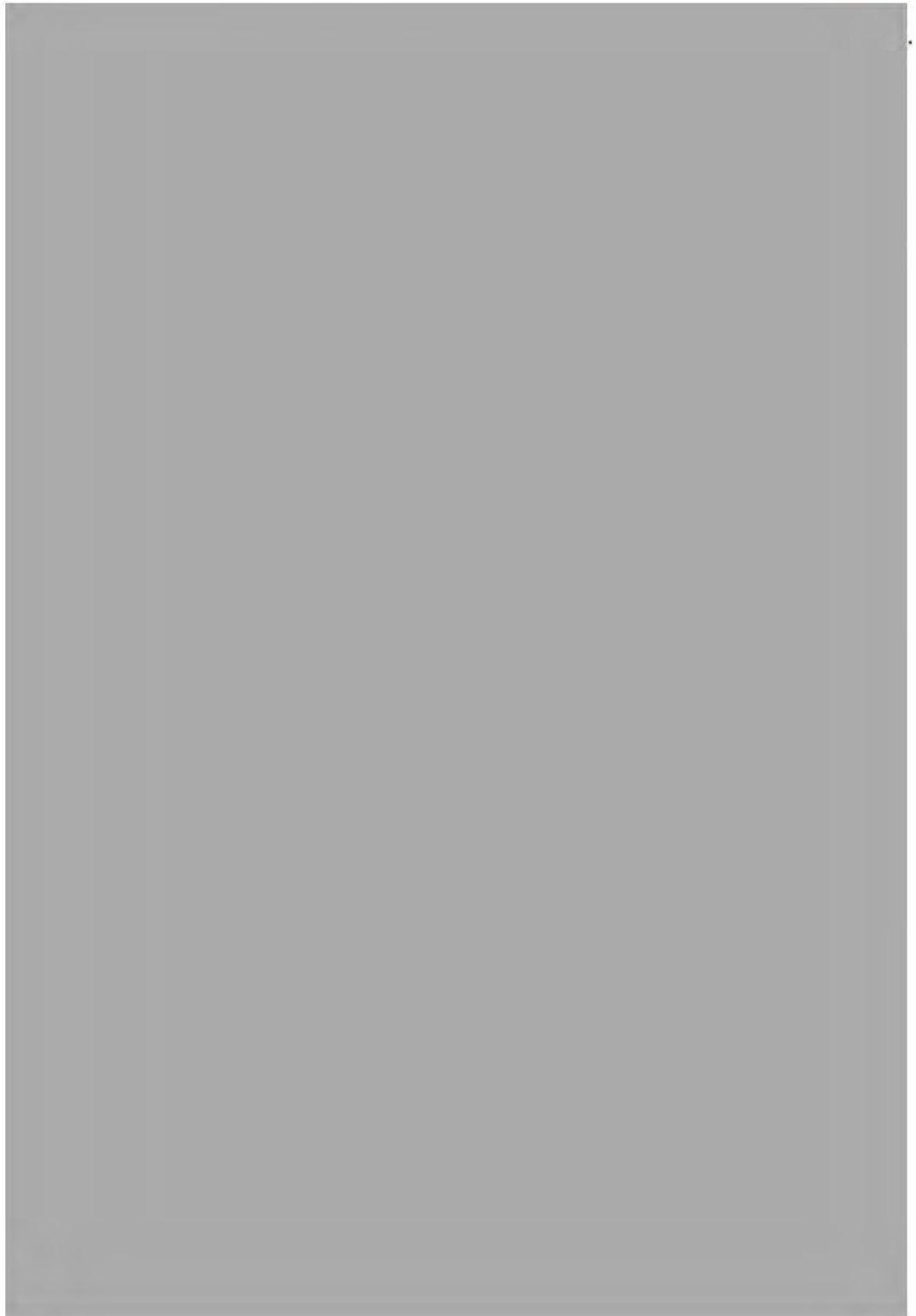


5.8. Execution

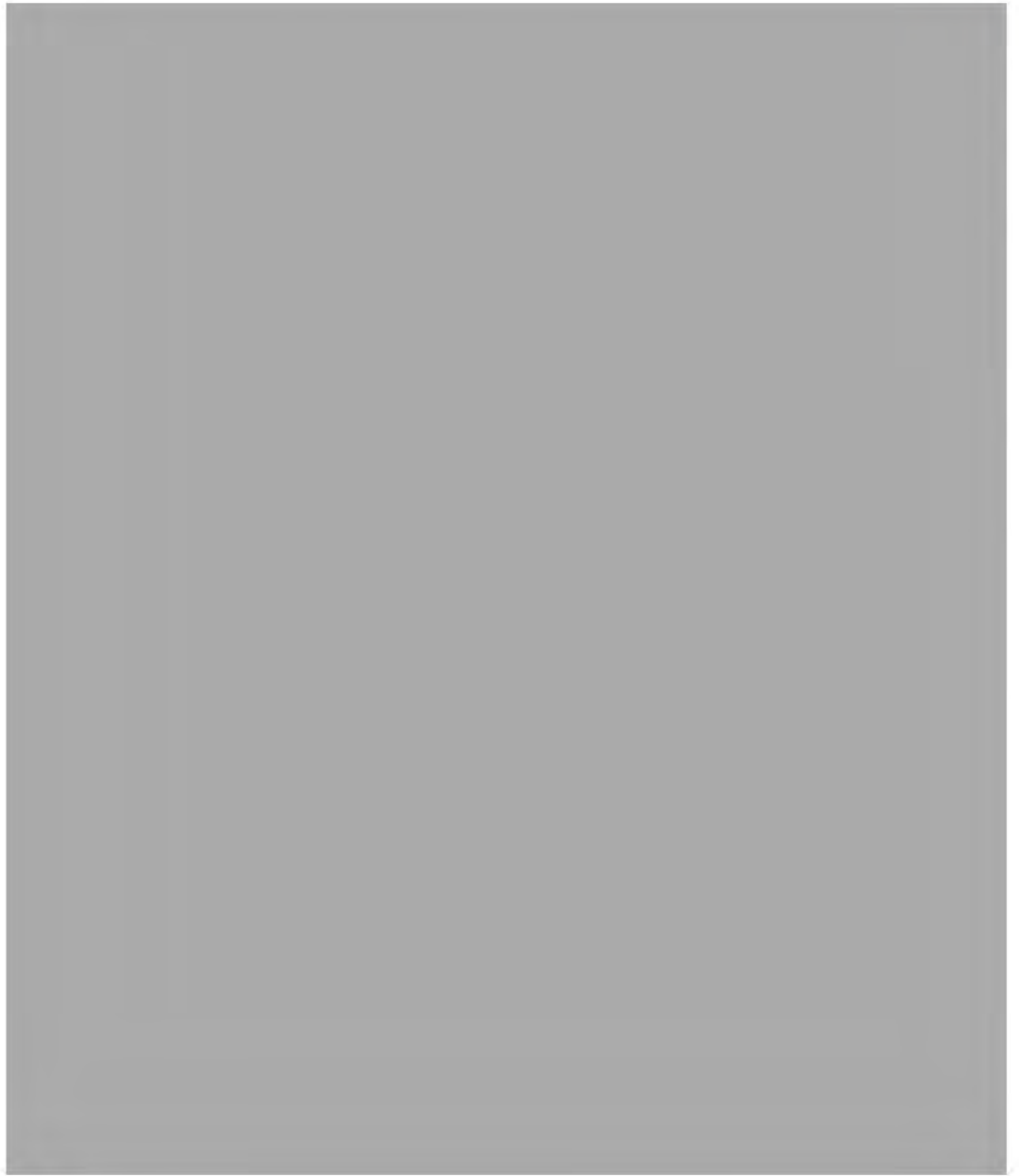
5.8.1. Phase One – Strategy Phase



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Evaluation Criterion 6

Knowledge and understanding of the electricity industry. Respondents are encouraged to disclose work that they have done in the NSW and South Eastern Australian (NEM) regulated energy sector over the last 5 years, particularly in regard to Networks



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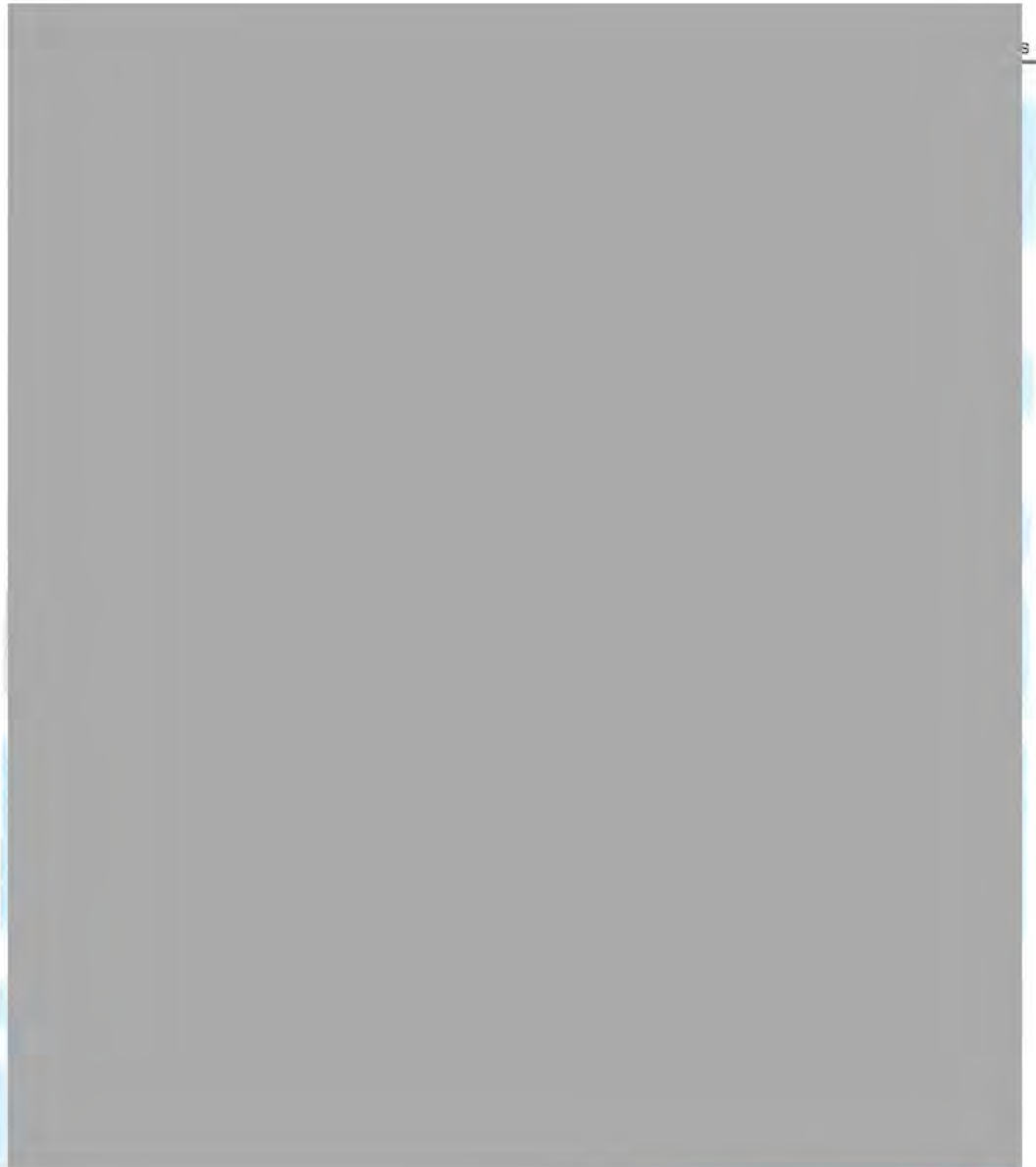


Evaluation Criterion 6

Evaluation Criterion 6

Knowledge and understanding of the electricity industry. Respondents are encouraged to disclose work that they have done in the NSW and South Eastern Australian (NEM) regulated energy sector over the last 5 years, particularly in regard to Networks

- 6.1. Our team has worked on 17 of the 24 regulated electricity and gas distribution networks in the NEM.





- 6.2. The table below sets out further experience in relation to regulated gas transactions

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6.3. The table below provides details of each of the relevant assignments undertaken by the team.

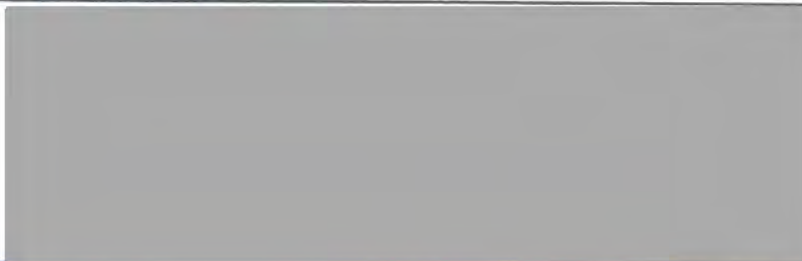
[Redacted text]

[Redacted table content]

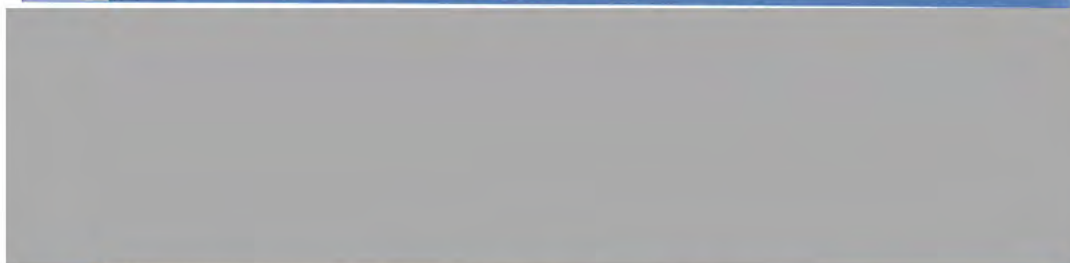


6.4. Deutsche Bank's team includes numerous individuals with extensive regulated asset experience in the NEM

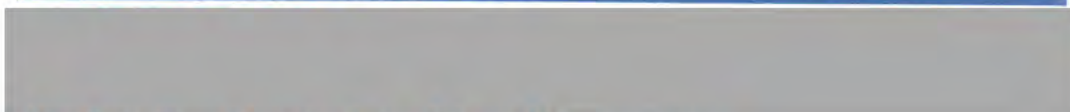
Bruce MacDiarmid (Project Team Leader)



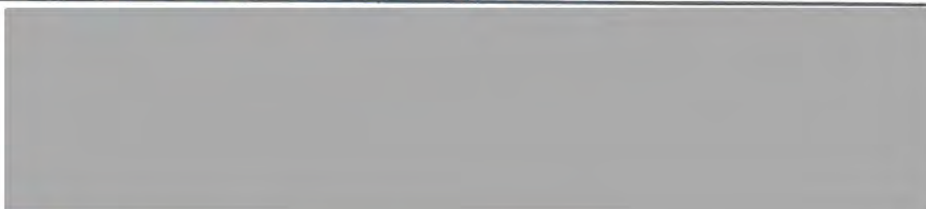
Advised on 8 of the last 12 regulated utility transactions



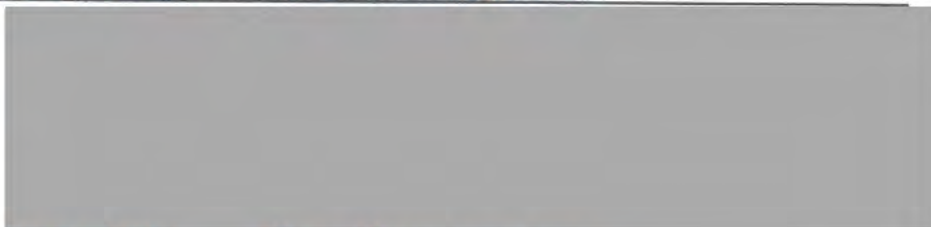
Undertaken more than A\$60 billion of utility and infrastructure transactions, including more than 20 sellside roles



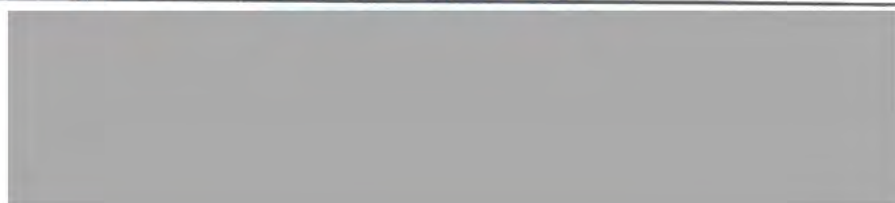
Mike Roche (Project Team Leader) Relevant Advisory experience



Andrew Martin
(Corporate Finance and Industry) Relevant Advisory experience









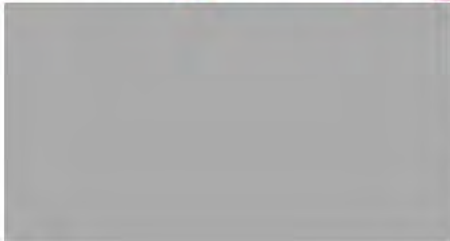

Alex Cartel
(Corporate Finance and M&A) Relevant Advisory experience





6.5. Case study – Spark Infrastructure

Deutsche Bank acted as Sole Financial Adviser to Cheung Kong Infrastructure Group (CKI) in structuring and selling down 49% of its interests in three electricity distribution businesses, which led to the creation of Spark Infrastructure.

			
 Spark Infrastructure AUD1,816 million Initial Public Offering	 Spark Infrastructure AUD425 million Syndicate Facility	 Spark Infrastructure AUD2,100 million Structuring 49% sale of assets from Cheung Kong Infrastructure to Spark Infrastructure	 Spark Infrastructure AUD120 million Block trade of Deutsche Bank's stake
Sole Global Coordinator, Joint Lead Manager and Bookrunner 2005 Australia	Joint Lead Arranger and Underwriter 2005 Australia	Financial Adviser 2005 Australia	Sole Bookrunner 2007 Australia
 Spark Infrastructure AUD295 million Accelerated non-renounceable entitlement offer			 Spark Infrastructure AUD200 million Institutional placement to part fund Spark Infrastructure's 14.1% stake in DUET
Joint Financial Adviser and Bookrunner 2010 Australia			Joint Financial Adviser and Bookrunner 2014 Australia



6.6. Financing for NEM participants

Deutsche Bank has raised more capital for listed NEM participants than any other investment bank in the last 4 years



Spark Infrastructure

AUD200 million
Institutional placement to part fund Spark Infrastructure's 14.1% stake in DUET

Joint Financial Adviser and Bookrunner
2014
Australia



Singapore Power Australia Assets

AUD2.5 billion
Lead Arranger on AUD2.5bn debt facility

Lead Arranger

2012
Australia



AGL Energy

AUD650 million
AUD650m institutional ratings friendly, 100% equity content hybrid instrument issue to fund the acquisition of Loy Yang A

Sole Arranger and Joint Lead Manager
2012
Australia



AGL Energy

AUD1,250 million
Equity raising for the proposed AUD1.5bn MacGen acquisition

Joint Lead Manager, Underwriter, Bookrunner
Pending
Australia



Origin Energy

AUD500 million
Inaugural Euro issuance of EUR500 million MTN

Joint Lead Manager

2012
Australia



Origin Energy

AUD2.5 billion
Lead Arranger on AUD2.5 billion debt refinancing

Lead Arranger
2011
Australia



Alinta Energy

USD1.1 billion
Lead Manager in USD1.1bn Term Loan B involving attaining dual credit ratings from both S&P and Moody's

Joint Lead Arranger & Bookrunner
2013
Australia



SPI (Australia) Assets Pty Ltd

USD500 million
Senior Unsecured
Maturity: October 2019

Joint Lead Manager

October 2012



Origin Energy

AUD500 million
Co-manager on AUD500 million USD144A issuance

Co-manager
2011
Australia



SP AusNet

EUR500 million
Eurobond issue to diversify funding sources, refinance existing facilities and fund capex

Lead Manager
2013
Australia



AGL Energy

AUD904 million
AUD904m pro-rata accelerated institutional bookbuild and tradeable retail entitlement offer to fund the acquisition of Loy Yang A

Joint Lead Manager, Bookrunner and Underwriter
2012
Australia



Spark Infrastructure

AUD295 million
Accelerated non-renounceable entitlement offer

Joint Financial Adviser and Bookrunner
2010
Australia



6.7. Key themes shaping the NEM regulated energy sector

Deutsche Bank has a deep understanding of the NEM regulated energy sector, as well as the particular dynamics affecting Networks

There are several themes and trends shaping the electricity industry at present:

Themes and trends shaping the electricity industry

Theme	Comment	Impact on network businesses
Declining electricity demand in recent years, with a more subdued demand outlook		
Growth of distributed generation		



Themes and trends shaping the electricity industry

Theme	Comment	Impact on network businesses
Changing fuel price relativities		
Influence of new technologies on the energy supply chain		
Evolution of the energy customer		



Evaluation Criterion 7

Demonstrated ability to work with government and a number of other Advisers as part of a multi-disciplinary team, including the ability to co-ordinate other Advisers, to provide deliverables within tight timetable requirements, to respond quickly to dynamic project requirements (including changing resourcing levels), and to commit key personnel for the entire duration of the Project



Evaluation Criterion 7

Evaluation Criterion 7

Demonstrated ability to work with Government and a number of other Advisers as part of a multi-disciplinary team, including the ability to co-ordinate other Advisers, to provide deliverables within tight timetable requirements, to respond quickly to dynamic project requirements (including changing resourcing levels), and to commit key personnel for the entire duration of the Project

The recent NZ\$5 – 7bn asset sale programme undertaken by the New Zealand Treasury has many similarities to the Electricity Networks Project

Deutsche Bank's role as Sole Crown Financial Advisor on this transaction best demonstrates our ability to work with Government and other Advisers as part of a multi-disciplinary team

Deutsche Bank recently advised the New Zealand Treasury on the design and implementation of an unprecedented Government asset sale programme with many similarities to the Electricity Networks Transaction

7.1. Project overview





Deutsche Bank designed the project plan for the delivery of the Sale Programme Report



7.3. Providing deliverables within timetable requirements



7.4. Stage 1 – Project plan

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7.5. Responded to dynamic project requirements



7.6. Case studies

The Case Studies below detail the background, Deutsche Bank's role and relevance to NSW Treasury of the key scoping and sale assignments that constituted the Mixed Ownership Model Programme.

Case Study: Financial Adviser to the New Zealand Treasury



New Zealand Treasury
NZD\$ - 7 billion
Extending the Mixed Ownership Model
Financial Adviser to The Crown
Current
New Zealand

Background

- On 26 January 2011, Prime Minister The Right Honourable John Key announced that the New Zealand Government would seek advice on the merits of partially selling down four State Owned Enterprises ('SOEs'), primarily through initial public offerings, while maintaining a majority shareholding in all SOEs (ie 51%)
- The Government nominated extending the MOM to four SOEs – Genesis Energy; Meridian Energy; Mighty River Power; and Solid Energy. In addition, the Crown stated it would also consider the merits of further sell down of its holding in Air New Zealand from 74% to a minimum 51%
- The implementation of the MOM would be transformational for the NZ equity capital markets, with NZ\$5 – NZ\$7bn raised over 3 – 5yrs, representing a c.20% increase in the New Zealand Stock Exchange free float capitalisation

Deutsche Bank role

- Deutsche Bank was appointed as Sole Crown Financial Adviser, following a highly contested public tender process

Highlights relevant to NSW Treasury

- Stage 1 of the Crown Financial Adviser role involved designing the MOM sale programme and detailing this in a Sale Programme Report
- As part of Stage 1, Deutsche Bank managed the sale scoping studies of the four SOEs
- Preparation of the overarching Sale Programme Report was undertaken at a time of significant political sensitivity and under a tight deadline with the report due in advance of the November 2011 New Zealand election
- In November 2011, Deutsche Bank delivered the comprehensive Sale Programme Report on the MOM to the Crown in the required timeframe
- Stage 2 involved implementing the extension of the MOM primarily through initial public offerings (see summary case studies on the IPOs of Mighty River Power and Meridian Energy below)



Case Study: Crown Adviser and Retail Offer Manager to NZ\$1.7bn Mighty River Power ('MRP') IPO

mighty river power

Mighty River Power

NZD1.7 billion
Initial Public Offering

Government Adviser

May 2013
Australia & New Zealand

Offer overview

- On 10 April 2013 MRP listed on the NZX and ASX with a market capitalisation of c.NZ\$3.5bn. The Crown raised NZ\$1.7bn via the IPO
- MRP was the first company to be partially sold via IPO under the New Zealand Government's MOM Programme

Deutsche Bank role

- As Crown Adviser to the Programme, Deutsche Bank advised the Crown on all aspects of the MRP IPO and coordinated workstreams between the various JLMs, advisers and service providers to the Crown
- Deutsche Bank's 49.9% owned affiliate, Craigs Investment Partners ('CIP') was also appointed Retail Offer Manager, responsible for maximising New Zealand retail demand and advising on retail incentives and process. Deutsche Bank / CIP brought the single largest retail bid into the offer (NZ\$135m)

Highlights relevant to NSW Treasury

- Significant discussion and analysis of [retail incentives](#) and [customer offer](#) given this was the first NZ Government IPO in over a decade and given the large number of MRP customers (390,000)
- Managed and advised on the ramifications of [regulatory uncertainty](#) introduced to the electricity sector by the opposition parties' policy announcement subsequent to lodgement of the MRP prospectus

Case Study: Crown Adviser, Joint Lead Manager and Joint Bookrunner to NZ\$1.9bn Meridian Energy IPO

meridian
Meridian Energy

NZD1.9 billion
Initial Public Offering

Joint Lead Manager and
Bookrunner
October 2013
Australia & New Zealand

Offer overview

- On 23 October 2013, the IPO of Meridian Energy Limited priced raising NZ\$1.9bn
- The IPO was the largest ever in New Zealand and the largest in Australasia since 2010

Deutsche Bank role

- As Joint Lead Manager, Deutsche Bank had critical involvement across all key workstreams and working groups, including corporate finance, offer structure, marketing and logistics
- Deutsche Bank / CIP brought the single largest retail bid into the offer (NZ\$200m)

Highlights relevant to NSW Treasury

- Deutsche Bank advised on a number of offer structure elements which optimised the outcome for all stakeholders:
 - the offer utilised an [instalment receipt structure](#) which significantly enhanced NZ retail demand for the offer and helped achieve the Government's challenging objective of 85% to 90% New Zealand ownership;
 - a [retail price cap](#) was available to retail investors, providing certainty of maximum pricing; and
 - a [scale back mechanism](#) was used for the broker firm offer for the first time, which helped Treasury promote fairness in allocation to applicants in the general offer

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Evaluation Criterion 8

Absence of any existing or potential conflicts of interests, and the approach to identifying, reporting and managing any potential conflicts of interest during the course of the Project



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Evaluation Criterion 8

Evaluation Criterion 8

Absence of any existing or potential conflicts of interests, and the approach to identifying, reporting and managing any potential conflicts of interest during the course of the Project

8.1. Conflicts

Deutsche Bank is not aware of any existing or potential conflicts of interest.

Deutsche Bank has in place detailed policies and procedures relating to conflicts of interest and Chinese Walls. To ensure potential conflicts of interest are identified and appropriately managed or avoided, Deutsche Bank employs comprehensive global conflict management systems and processes which include logging potential assignments in advance of committing to them and conducting a conflict check for each against existing and potential assignments.

The operations of Deutsche Bank's conflict management systems allow Deutsche Bank to identify and escalate potential conflicts of interest to appropriately authorised personnel, so that they can be appropriately managed or avoided.





Evaluation Criterion 9

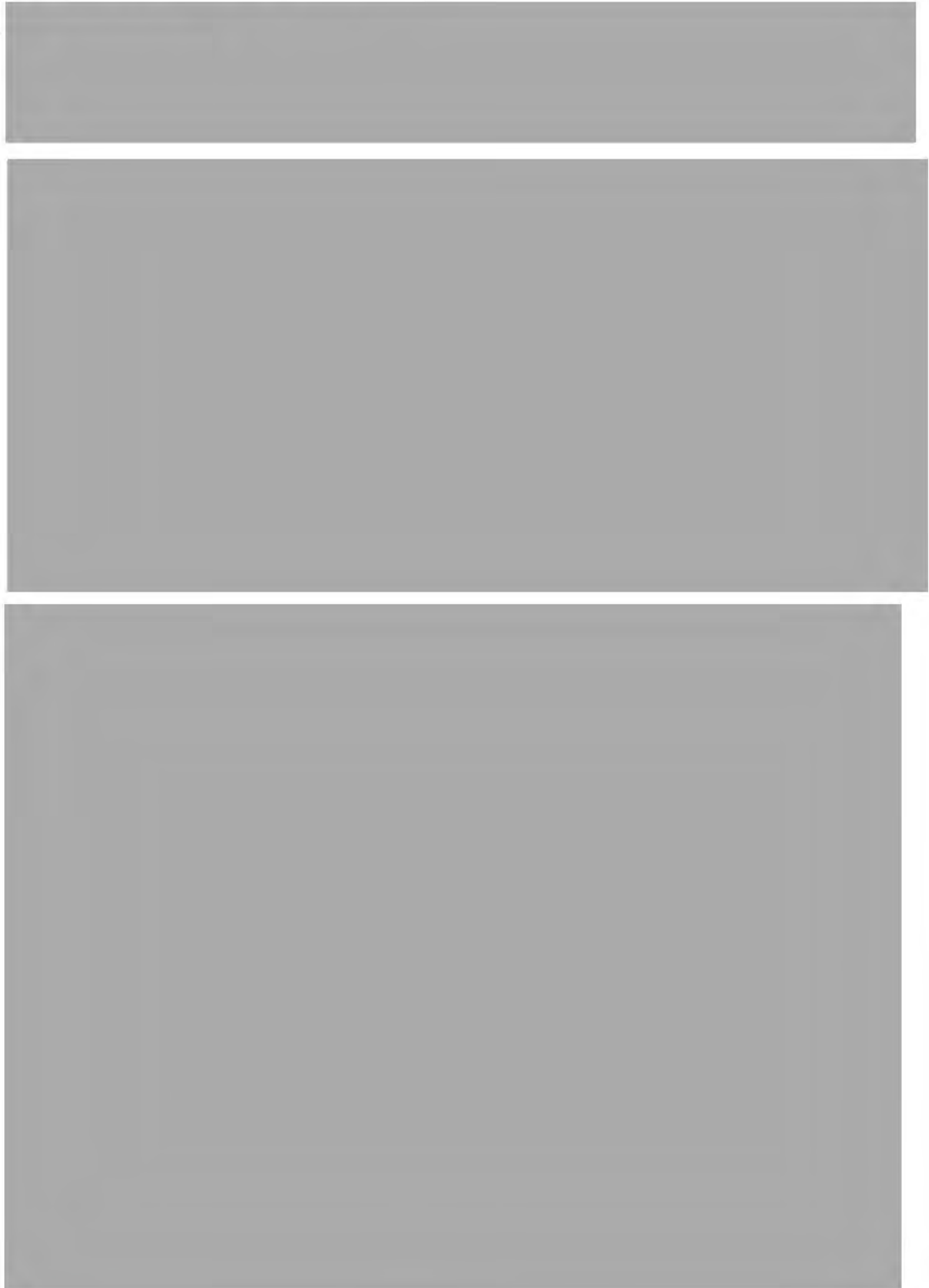
Proposed rates and fee structure for Phases One and Two, including the firm's approach to ensuring that value for money is obtained by the State throughout the Project, and the cost to Government of managing and administering the engagement is minimised



Evaluation Criterion 9

Evaluation Criterion 9

Proposed rates and fee structure for Phases One and Two, including the firm's approach to ensuring that value for money is obtained by the State throughout the Project, and the cost to Government of managing and administering the engagement is minimised



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Evaluation Criterion 10

Compliance with the requirements set out in section 5 of this RFP



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Evaluation Criterion 10

Evaluation Criterion 10

Compliance with the requirements set out in section 5 of this RFP

Proposal Requirements	Reference
1. A response to each of the Evaluation Criteria	
2. Details of any other commercial asset sale panels (Commonwealth or other State Governments) of which the Respondent is a member	
3. The name, address and legal status of the firm	
4. The key specified personnel (including curriculum vitae) and a statement in regard to their availability and time commitment for the duration of the Project. Other nominated persons should also be identified and information provided about how their time will be dedicated to the Project	
5. Approach to providing value for money	
5.a. Minimum of two fee proposals – one that assumes Phase Two will proceed and one that assumes Phase Two does not proceed	
5.a.i. The pricing model used to determine fees for each phase, including: <ul style="list-style-type: none"> – Hourly, daily, weekly and four weekly rates for each nominated team member – Approach and commitment to providing capped fees for completing specific elements of the Project to ensure that value for money is obtained by the State 	
5.b. Discounts and synergies that may be available	
5.c. Any other initiatives proposed to ensure that value for money is obtained by the State throughout the Project	
5.d. Approach to charging for expenses	



Proposal Requirements	Reference
6. Agreement to sign the attached Consultancy Agreement, without material amendment. Any requested amendments to the Consultancy Agreement must be provided as a separate annexure in table form	
7. Agreement that a Confidentiality and Privacy Deed (in the form set out in Schedules 6 and 7 of the Consultancy Agreement or in such form as may be required by the Principal) will be executed by the Respondent if requested by the Principal	

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Appendix I

Requested amendments to the
Consultancy Agreement



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Appendix II

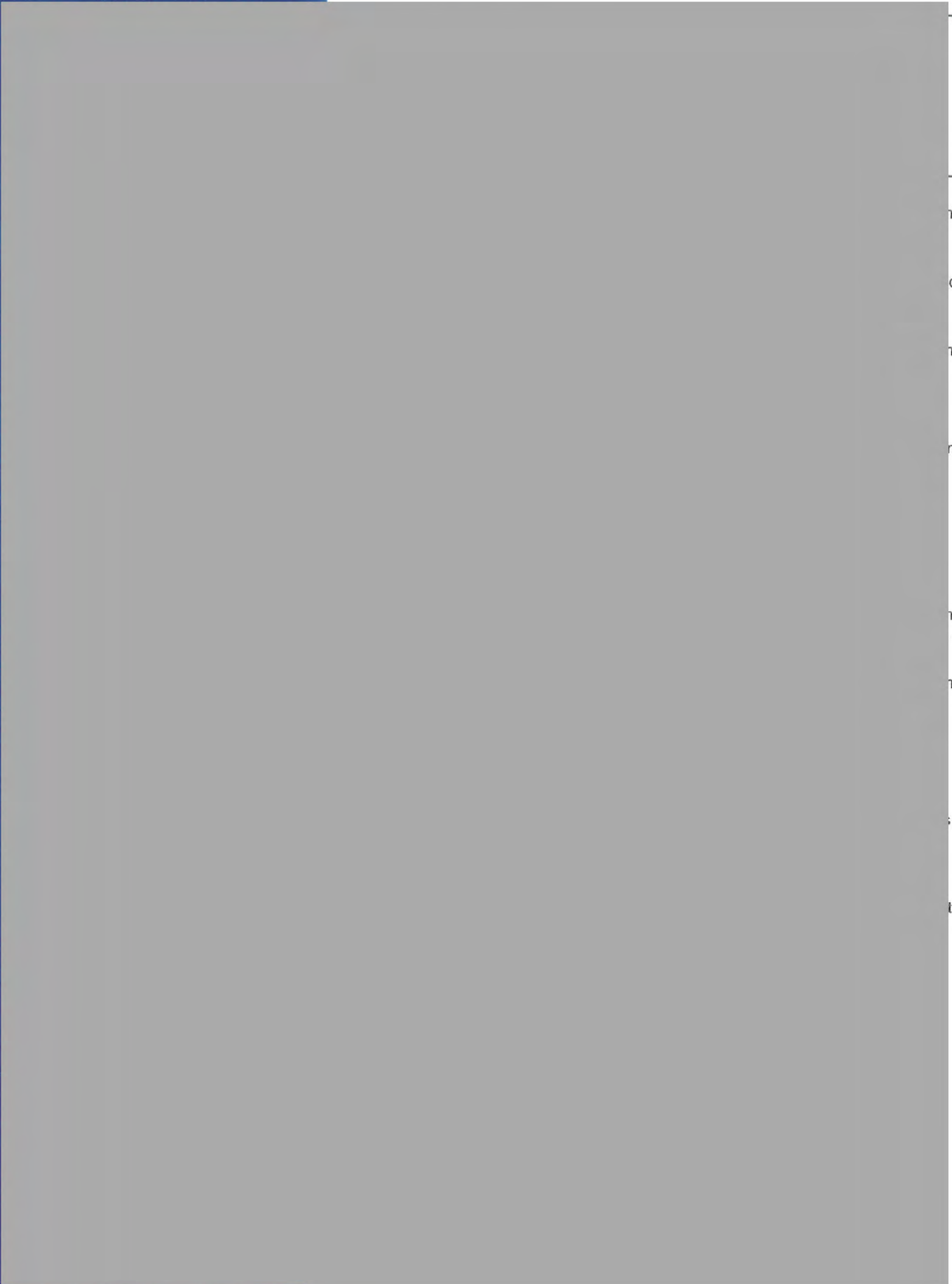
Curriculum vitae of key specified
personnel



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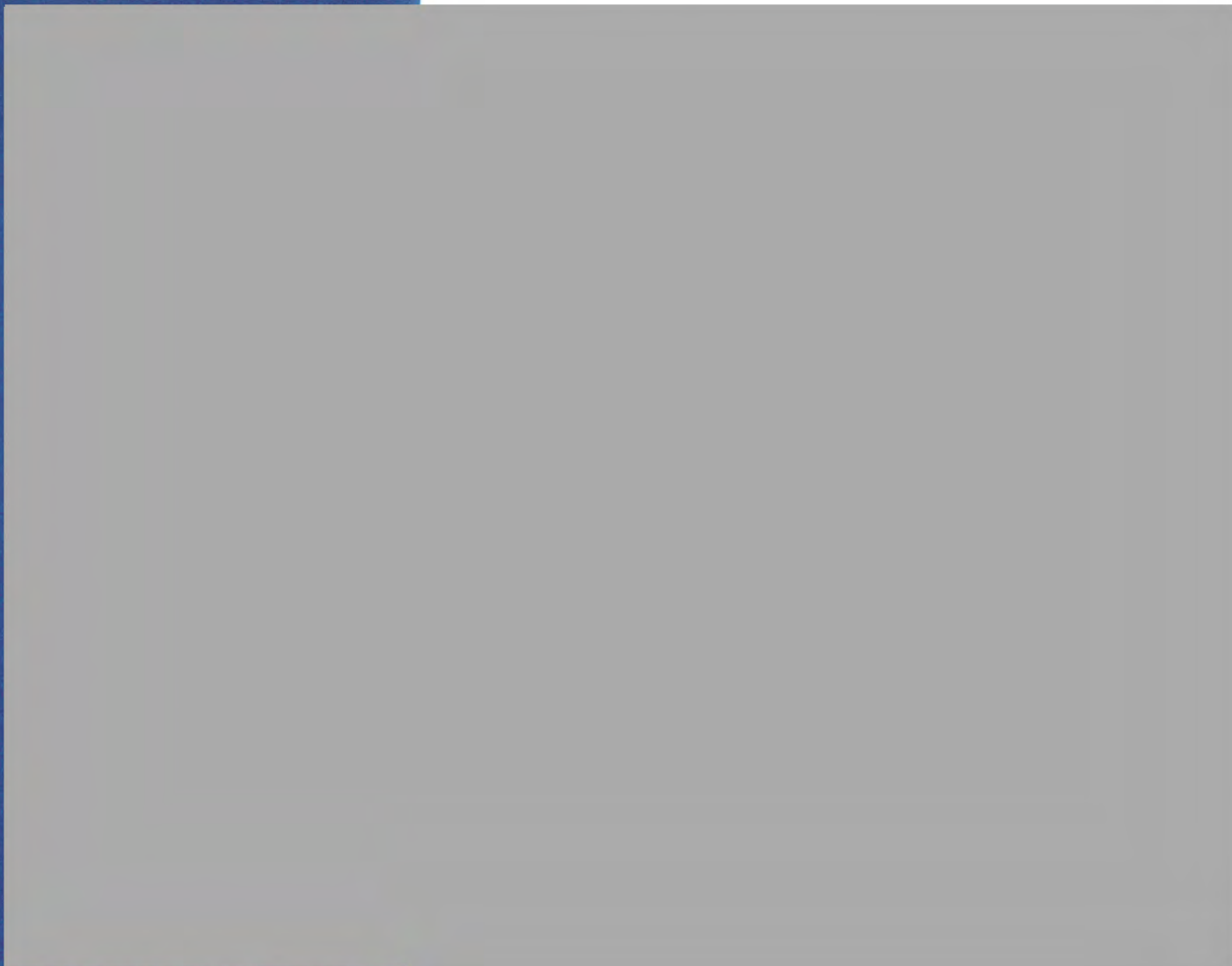


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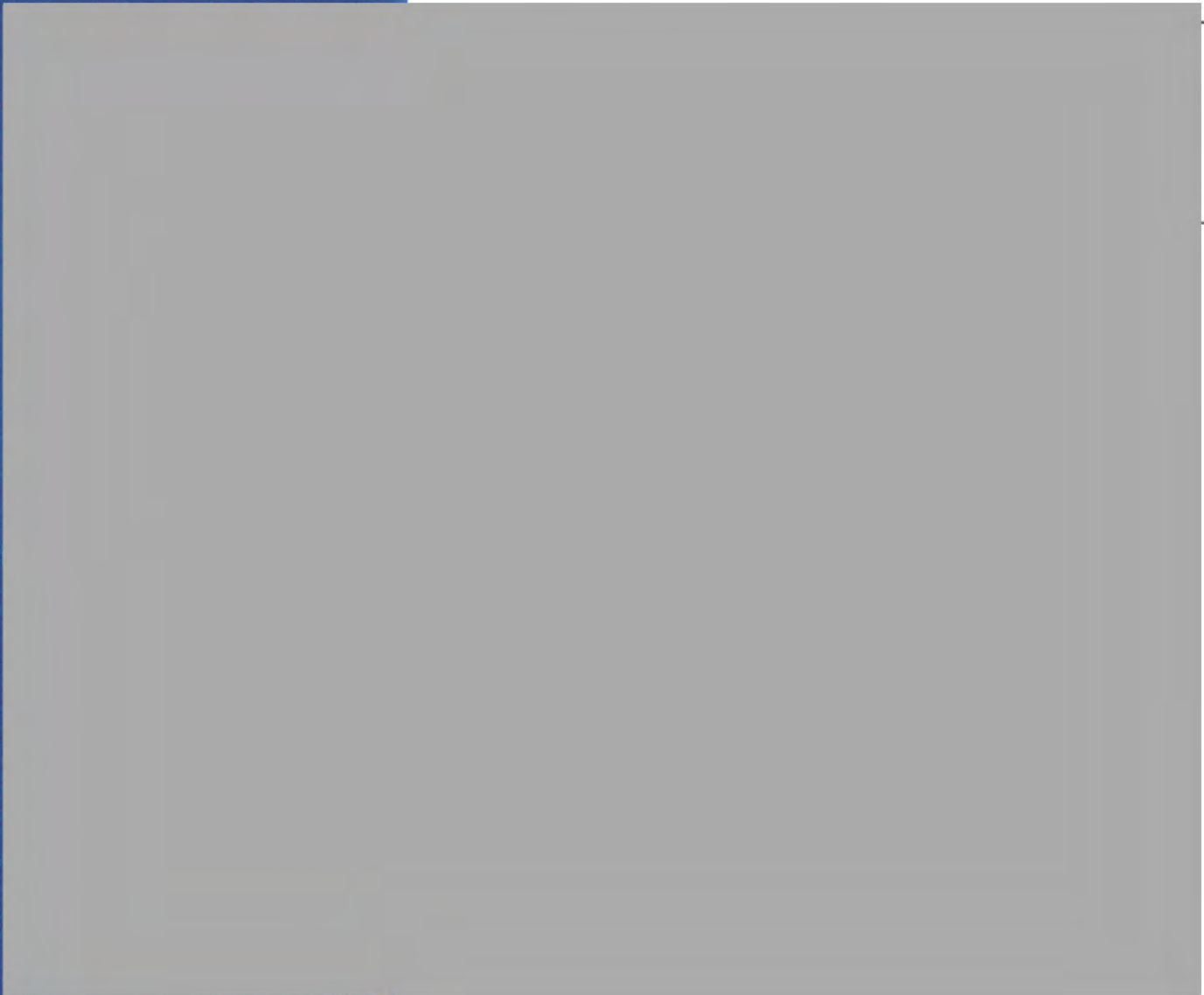


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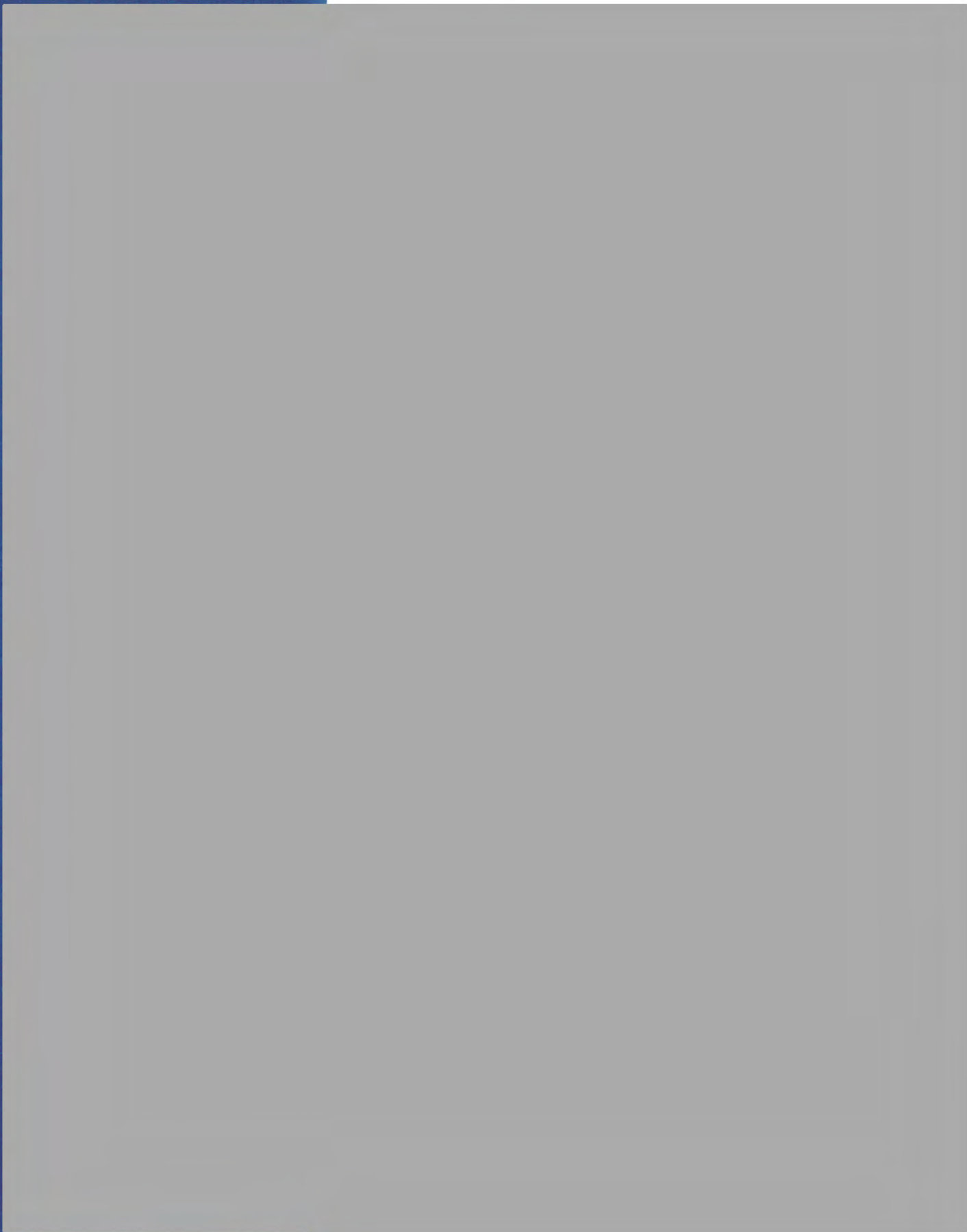


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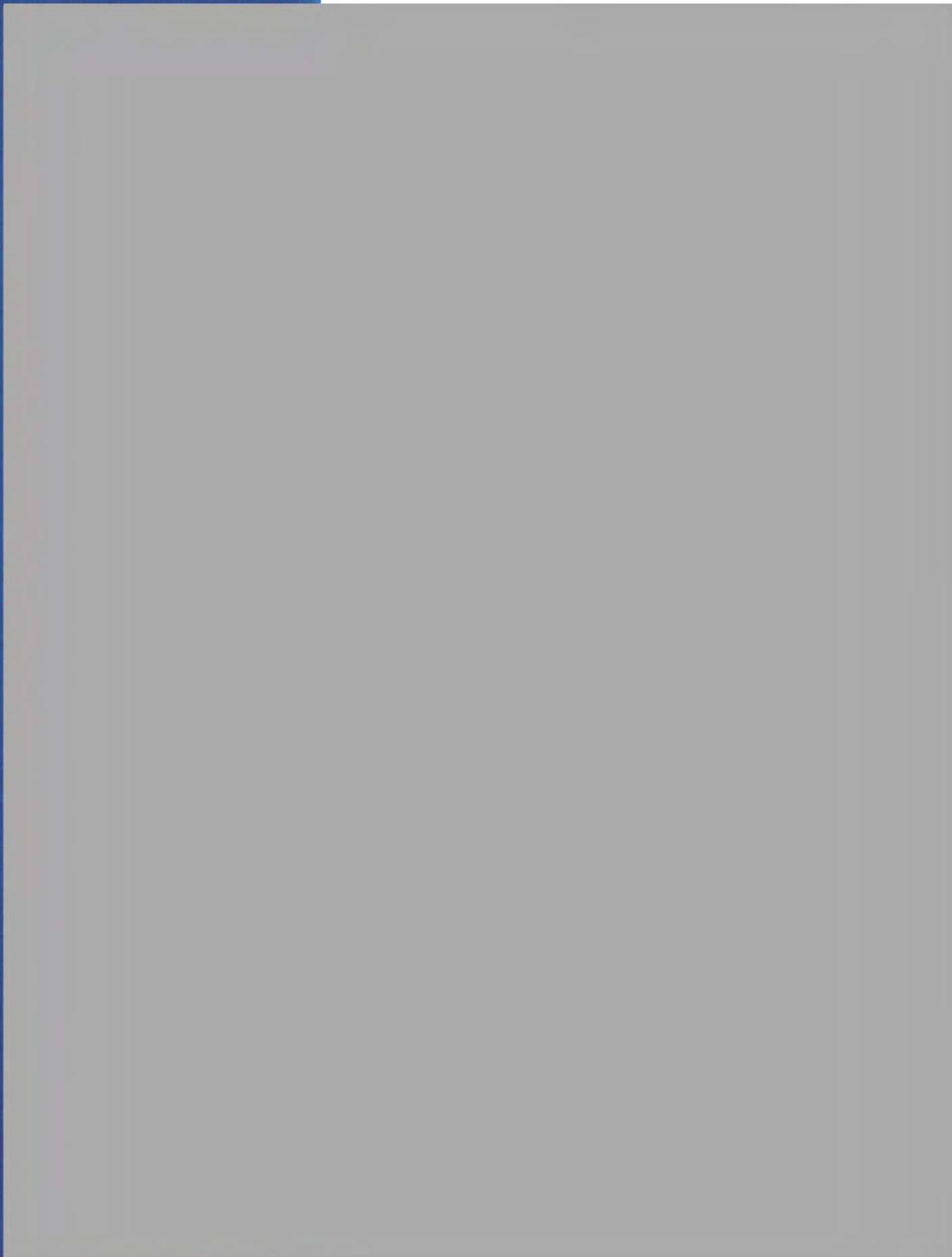


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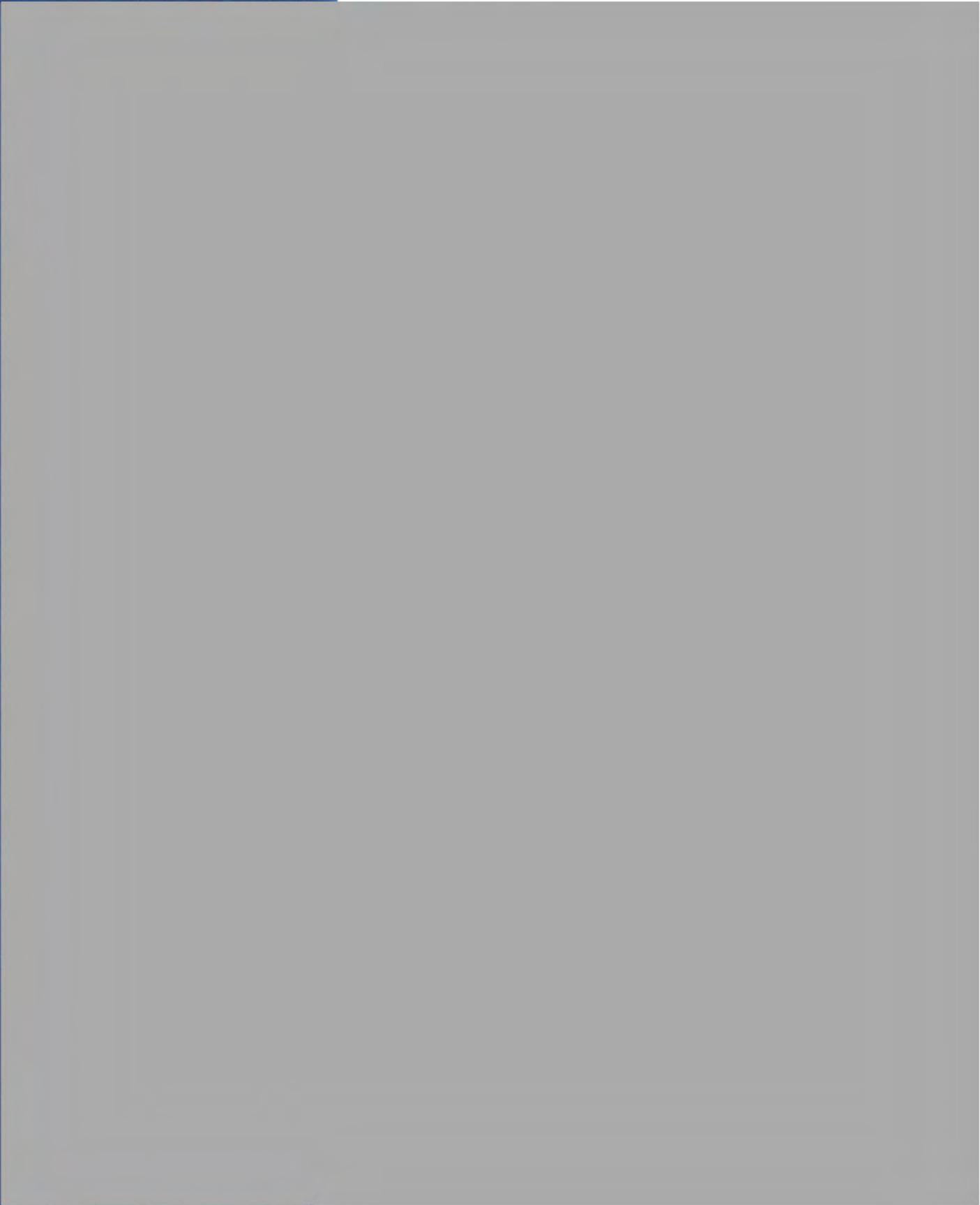


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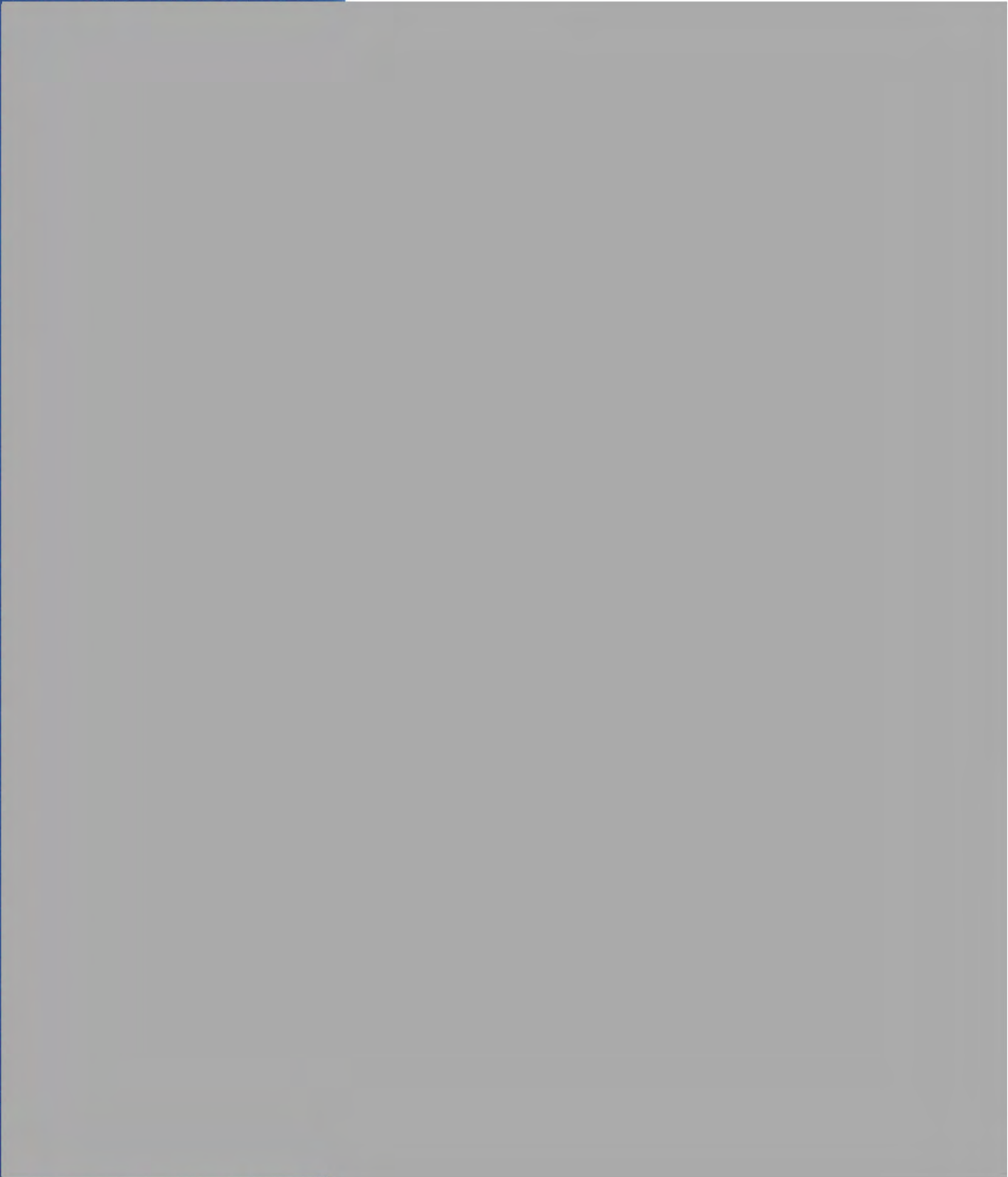


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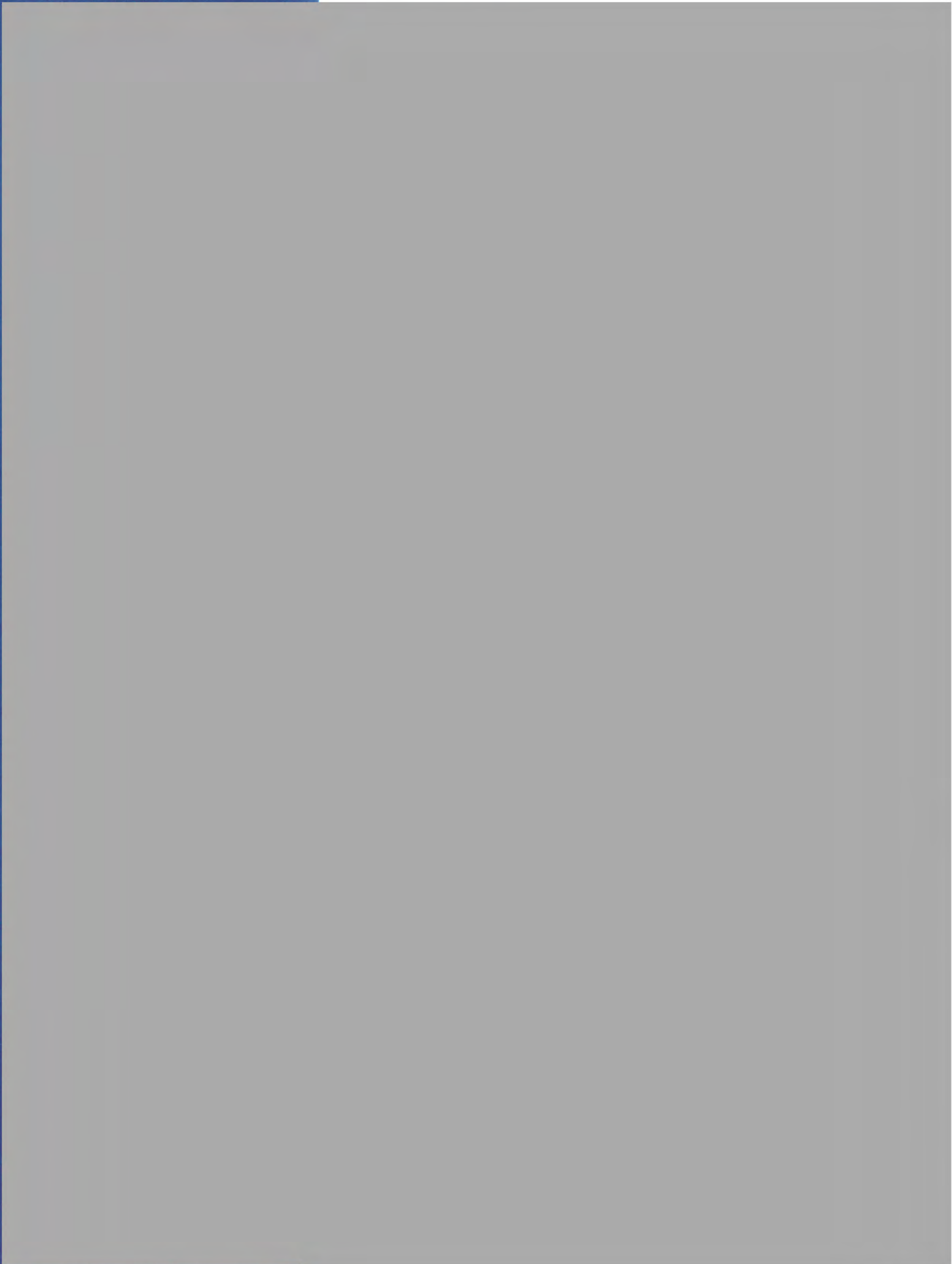


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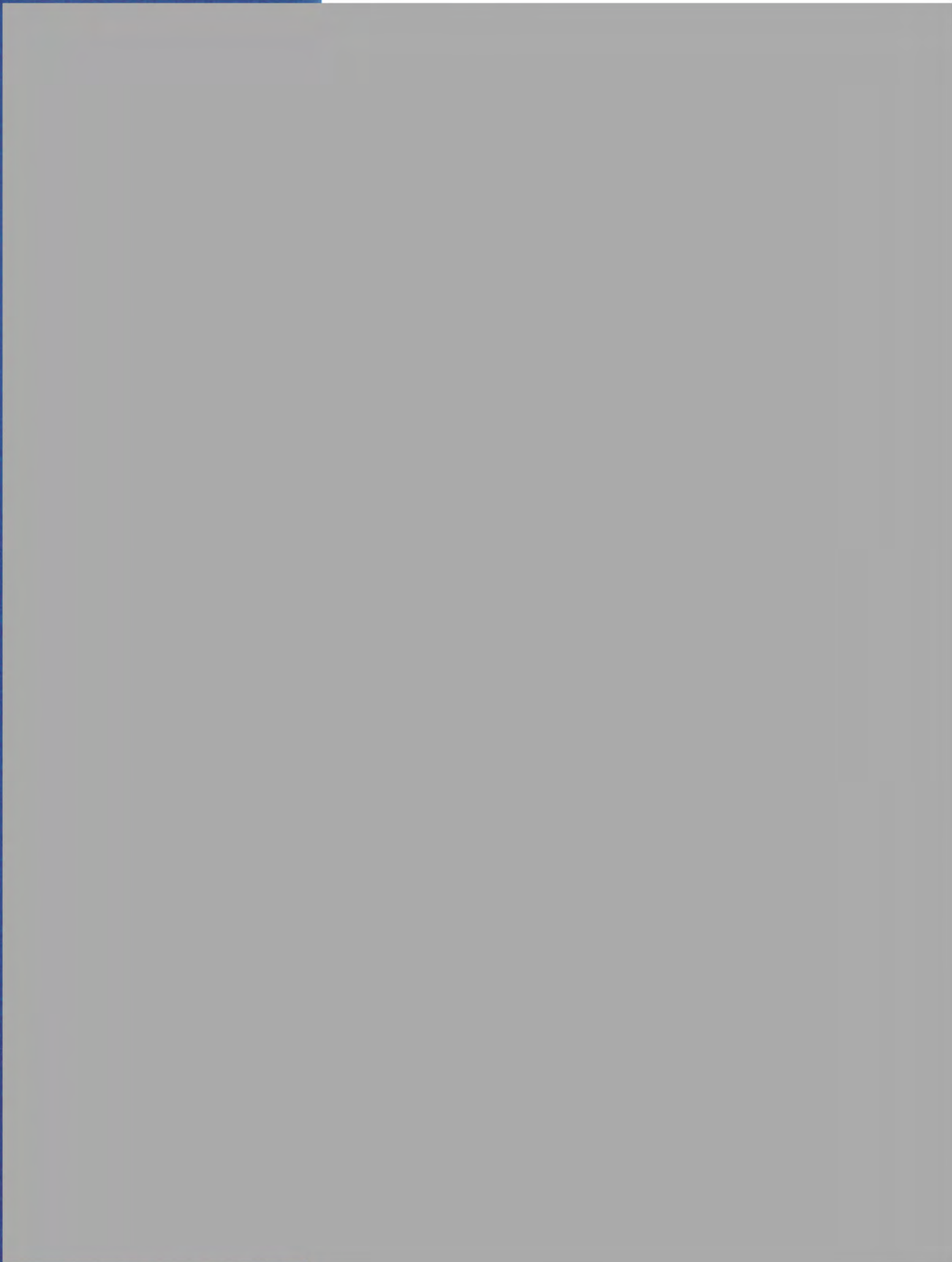


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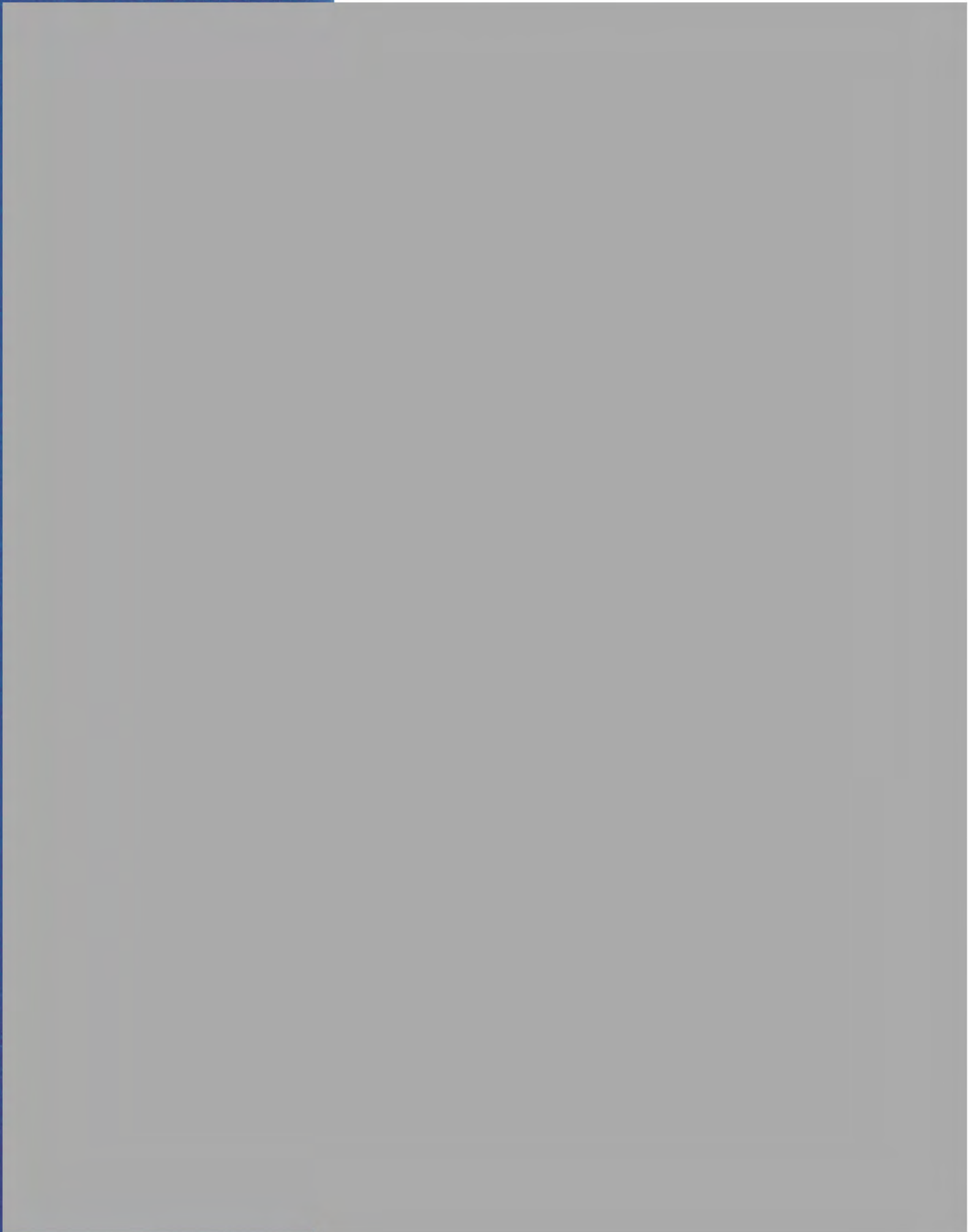


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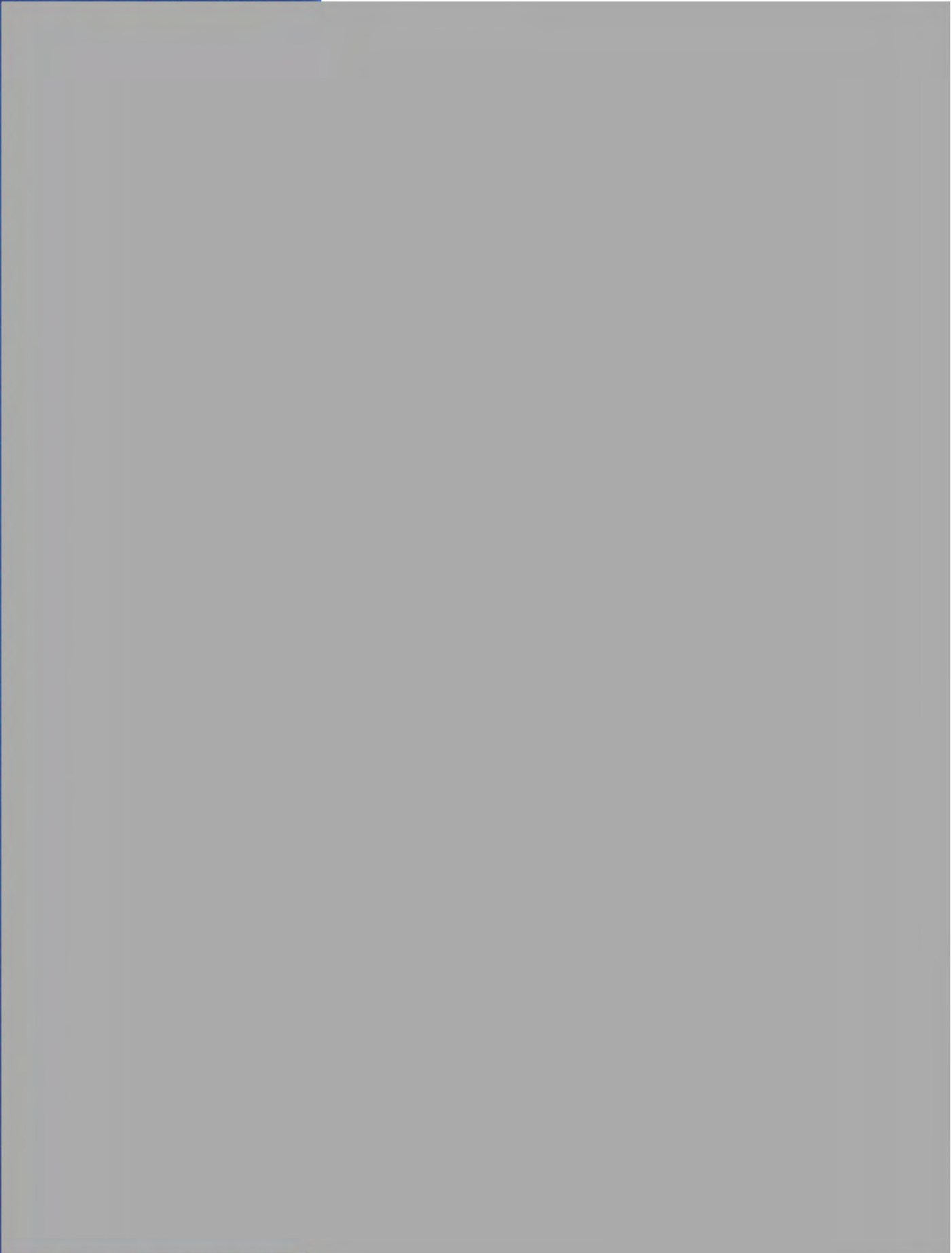


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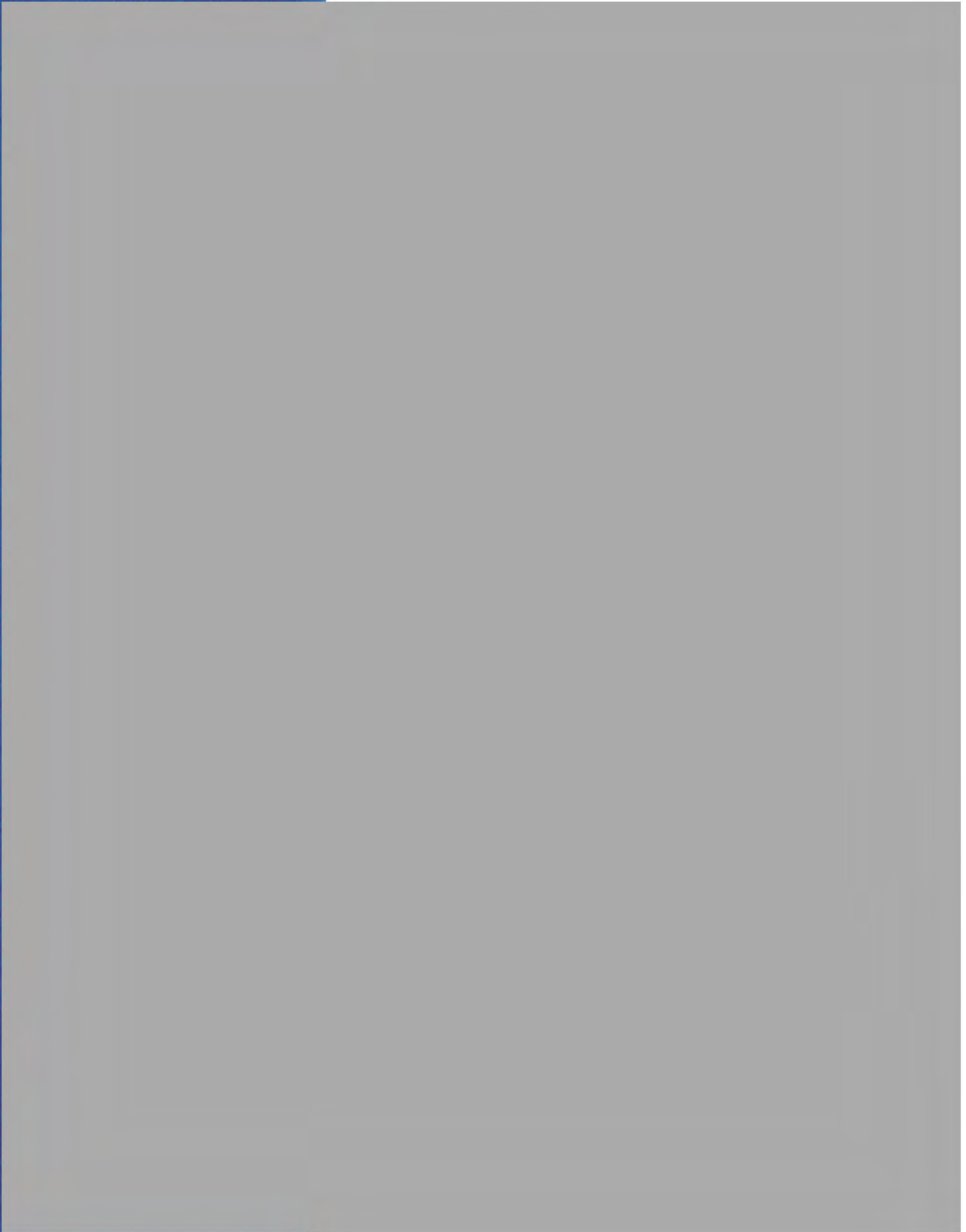


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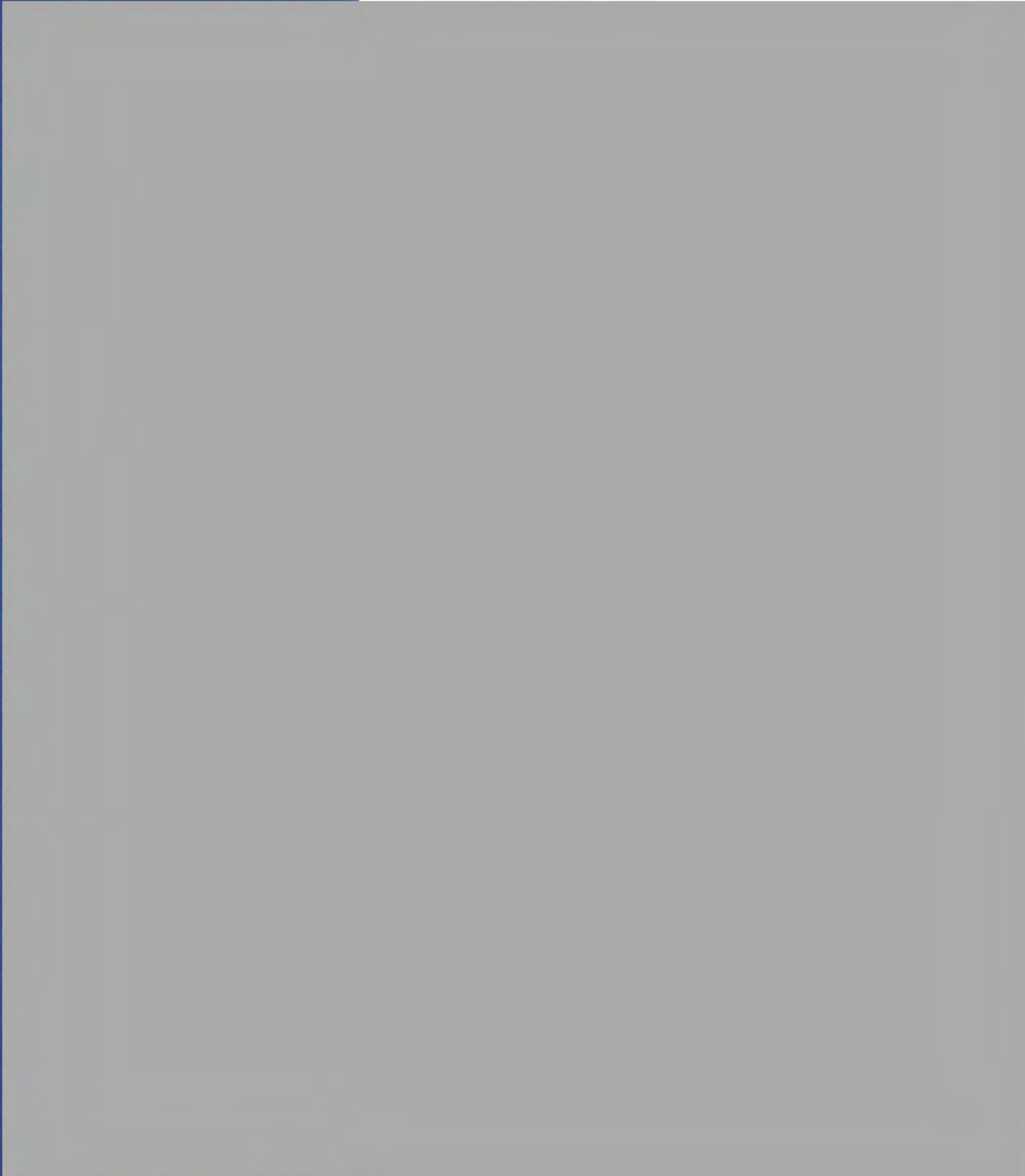


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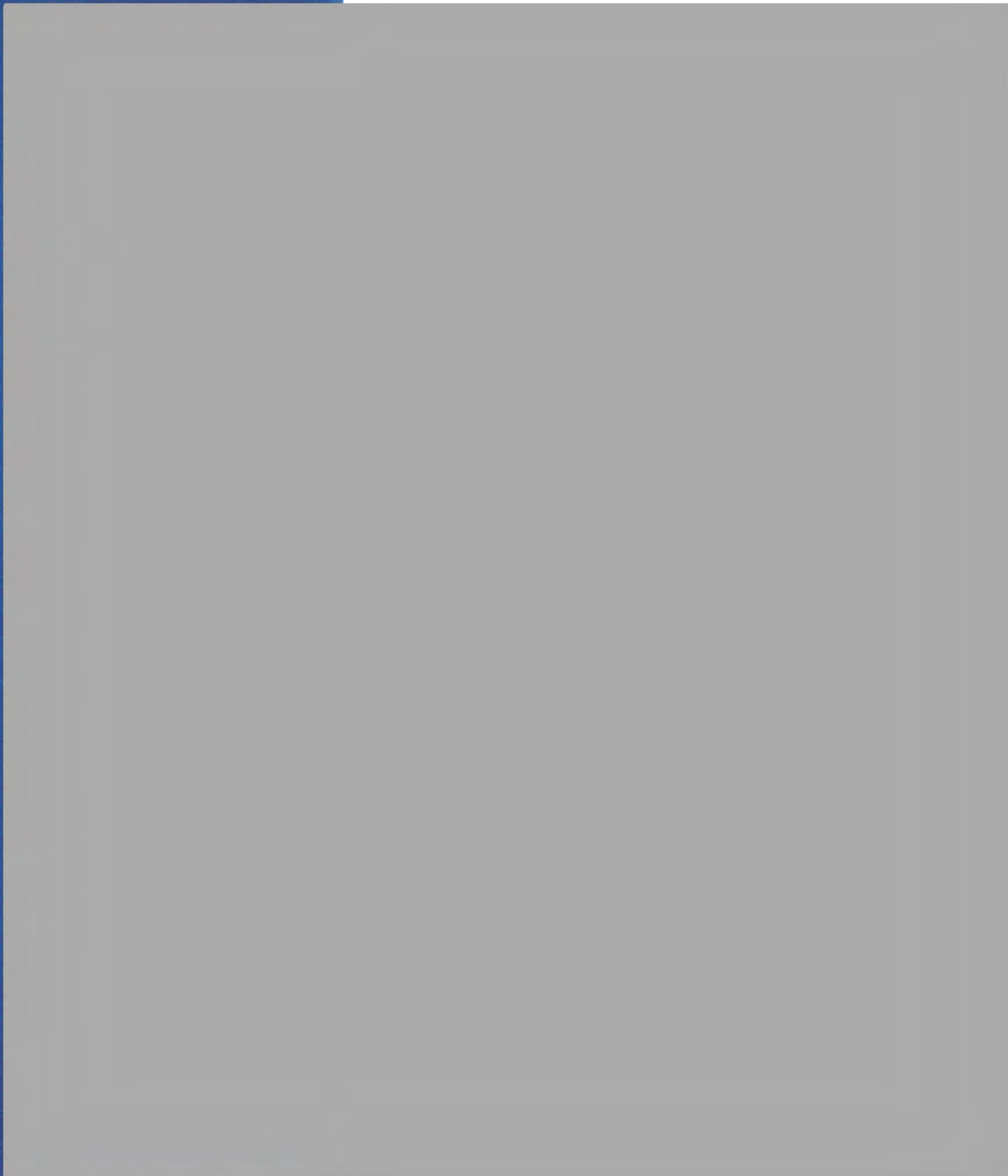


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Appendix III

Potential private sector investors



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Potential investors – ~~ORIGINAL~~ asset managers



Potential investors – asset managers (continued)



Potential investors – asset managers (continued)



Potential investors – asset managers (continued)



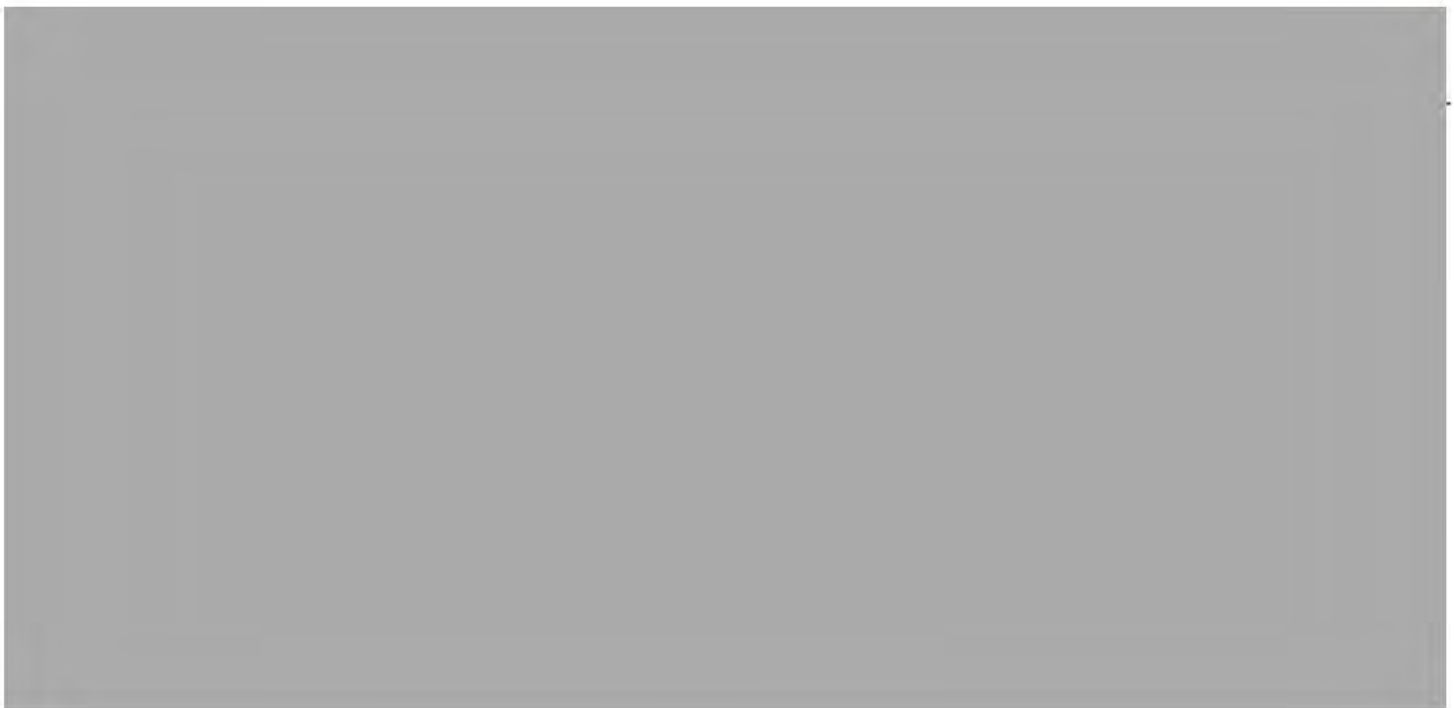
Potential investors – pension funds



Potential investors — pension funds (continued)

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Potential investors – pension funds (continued)



Potential investors – pension funds (continued)



Potential investors – pension funds (continued)



Potential investors – sovereign wealth funds



Potential investors – sovereign wealth funds



Potential investors – ORIGINAL strategics





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