

# Power and Water Corporation Distribution 2024–29 Draft decision Pre-determination conference

AER Board Member – Lynne Gallagher – Conference Chair  
19 October 2023

# Acknowledgement of country

Lynne Gallagher  
AER Board Member





# AER welcome and introductions

Lynne Gallagher  
AER Board Member



# House keeping

- Questions can be asked at any time by adding to the chat, and will be addressed during the facilitated discussion session
- During the facilitated discussion you are welcome to ask questions or provide comments. Please use the 'raise your hand' button.
- Questions not addressed in this session will be answered and available after the session
- The presentation will be available on the website after this session

# Agenda

Topic	Speaker	Duration
Welcome / Acknowledgement of country	Lynne Gallagher, AER Board Member	5 mins
Key themes of our draft decision	Lynne Gallagher, AER Board Member	10 mins
AER's Power and Water Corporation 2024–29 draft decision	Kris Funston, Executive General Manager, AER Network Regulation	10 mins
Power and Water Corporation next steps and any reflections	Peter Wilson AM, Chair, Power and Water Corporation / Djuna Pollard, CEO, Power and Water Corporation	10 mins
Facilitated discussion	Paul Harrigan, Acting General Manager, AER Network Pricing Branch  Questions for the AER and Power and Water Corporation	20 mins
Closing remarks, next steps	Lynne Gallagher, AER Board Member	5 mins



# Key themes of our draft decisions

Lynne Gallagher  
AER Board Member



# Key themes

- Ensuring consumers pay no more than necessary for safe and reliable energy
- Supporting the energy transition
- Consumer engagement driving proposals
- New emissions objectives
- Network tariff reform



# AER's Power and Water Corporation 2024–29 draft decision

Kris Funston

Executive General Manager

AER Network Regulation

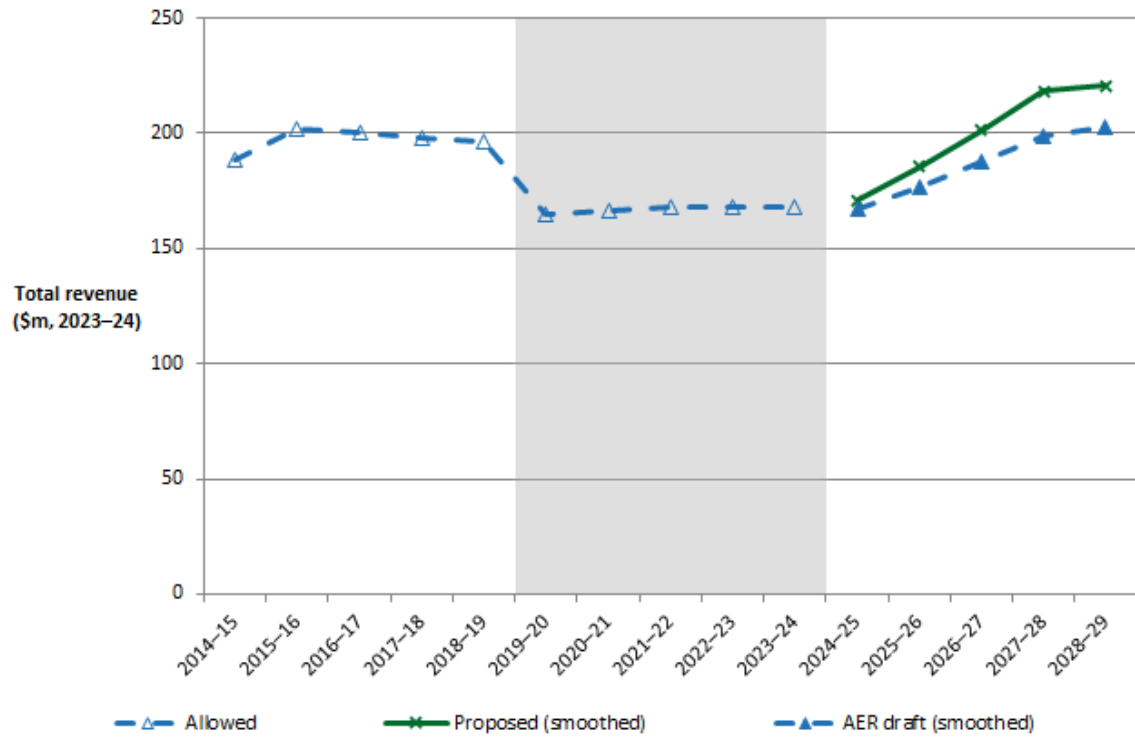




# Power and Water Corporation

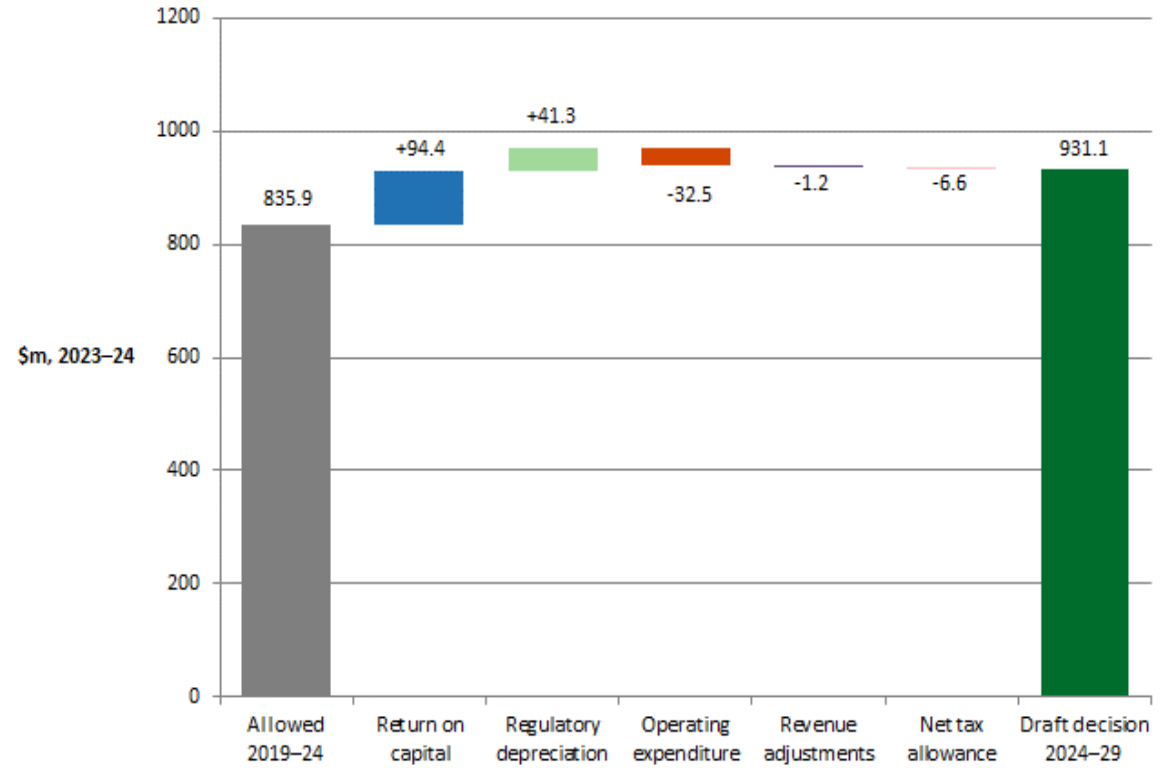
- Our draft decision: **\$1,016.4 million** (\$ nominal, smoothed)
  - 6.8% reduction from Power and Water Corporation's proposal
  - 11.6% higher in real terms than our decision for the current (2019-24) period (33.9% higher in \$ nominal, smoothed)
- Key areas of difference from Power and Water Corporation's proposal to our draft decision:
  - Decrease from proposed revenue mainly driven by reductions in capital and operating expenditure
  - Additional revenue reductions due to lower overall rate of return
  - Offset by our lower inflation forecast (increasing regulatory depreciation)
- Our draft decision:
  - Capex: \$432.8 million (\$135.2 million or 23.8% lower)
  - Opex: \$364.4 million (\$50.9 million or 12.3% lower)

**Figure 1 - Power and Water Corporation - Changes in regulated revenue over time (\$ million, 2023–24)**



Source: AER analysis

**Figure 2 - Power and Water Corporation - Changes in total revenue between 2019–24 to 2024–29 (\$ million, 2023–24, unsmoothed)**



# Power and Water Corporation

- Areas of focus
  - Proposed non-network property capex
  - Proposed Operational Technology uplift ICT capex
  - Proposed opex step changes (5 out of 6 not included or reduced amount)
  - Opex step changes included for
    - Cyber security - need info on efficiency
    - Future networks - partly included at lower cost
  - Proposed 'super users' tariff – Cost reflective? Cross-subsidy?
  - Contingent project for unlocking Darwin-Katherine existing large-scale renewable generation – need? ( 4 out of 5 contingent projects to advance energy transition accepted)



# Power and Water Corporation

Peter Wilson AM

Chair

Power and Water Corporation (Introduction) /

Djuna Pollard

CEO

Power and Water Corporation







**PowerWater**

# **Power and Water 2024-2029 Regulatory Proposal**

**19 October 2023**

**AER Pre-Determination Conference**

## Acknowledgement of Country

On behalf of Power and Water Corporation we acknowledge the Traditional Owners of the land that we meet on today. We pay our respects to the elders, past, present and future.



# Highlights of our 2024-2029 Regulatory Proposal



Facilitating renewables

- Dynamic Operating envelope for solar photovoltaic systems
- Renewable energy hubs (contingent project)
- Darwin-Katherine transmission line augmentation



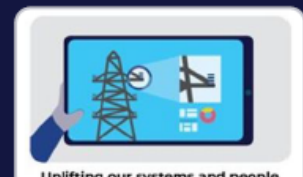
Improving utilisation

- Time of use tariffs and export tariff trials
- New super user tariff
- Support industrial hubs - Holtze and Middle Arm (contingent projects)



Managing health of network

- Upgrade asset management systems
- New risk quantification method
- Extending asset life where safe and prudent to do so



Uplifting our systems and people

- Operating Model Program
- Multi-site consolidation
- Operating technology uplift

## The numbers

**\$996m  
Revenue**

**\$574m  
Capital  
Expenditure**

**\$412m  
Operating  
Expenditure**

### Opex step changes

- \$0.9M/yr on cyber
- \$1.2M/yr NT NER compliance
- \$0.8M/yr on cloud presence costs
- \$3.8M/yr on resourcing and operating new OT systems
- \$2.8M/yr on future network strategy and enabling renewables
- \$1.0M/yr in insurance

### Capitalised overheads

\$144.7 million

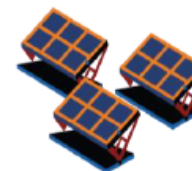
### Customer feedback themes



*Support vulnerable customers*



*Keep prices affordable*



*Connect more renewables*



## Reflections on the Draft Decision

- Our 'business as usual' expenditure to maintain and operate the electricity networks was **mostly supported**
- Our 'new' expenditure to build our capabilities was **mostly not supported**
- Our customers have shown support for our plans for facilitating the energy transition
- We have taken the AER feedback on board, improving our expenditure justifications and testing concepts with our customers and stakeholders
- We have also been investigating how we may defer expenditure to subsequent periods while still providing safe, reliable and affordable electricity.

# How we have been engaging with our stakeholders



We have held **three** People's Panels since January 2023 testing and gathering their views to input into our plans for **renewables, technology, property** and **specific customer services**.



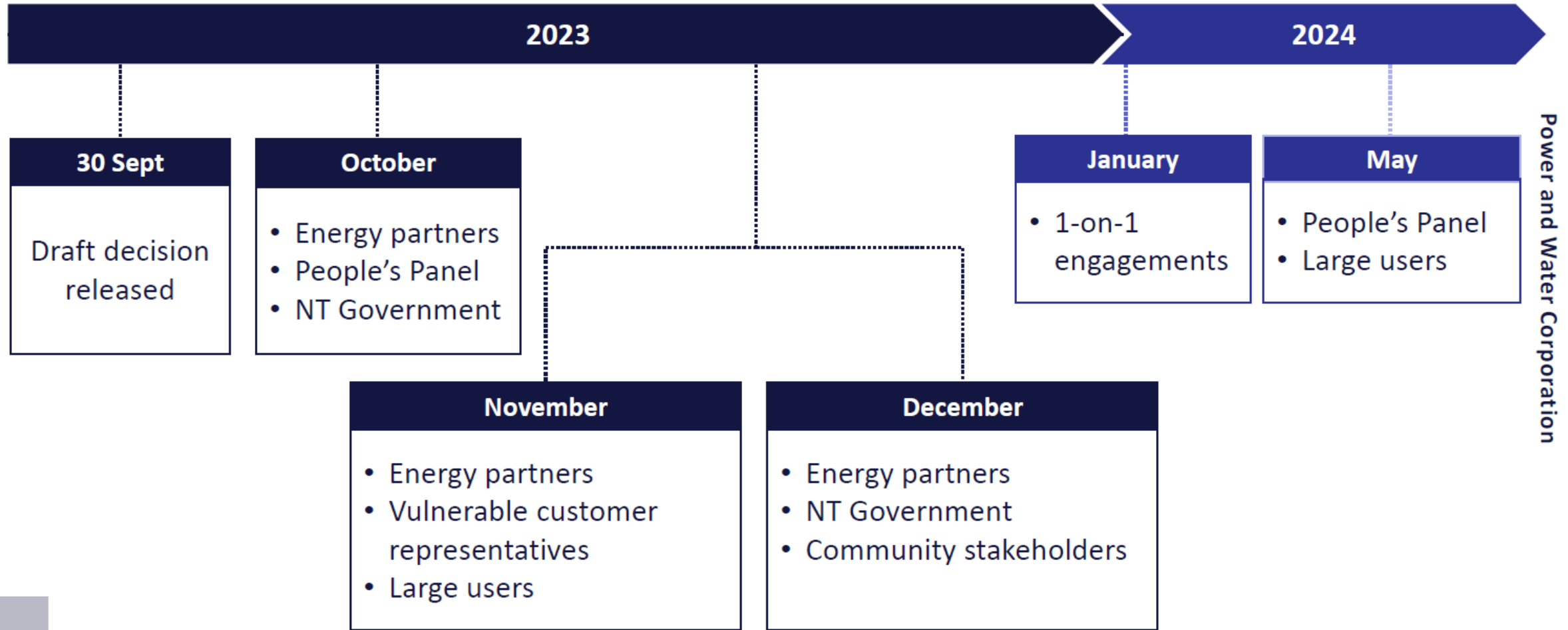
We have met regularly with our **energy partners** to consult and listen to their views on issues such as contingent projects, renewable projects and opportunities to collaborate.



We have also engaged with representatives for our vulnerable customers, NT Government groups and our business customers to ensure our plans reflect all Territorians.



# How we will continue to engage with our stakeholders



## Next steps

- We will continue to consult customers and stakeholders to gather feedback for input into the Revised Proposal.
- We invite interested stakeholders to make a submission on the AER's Draft Decision and Power and Water's Revised Proposal once submitted by **19 January 2024**.
- Please contact [YourSay@powerwater.com.au](mailto:YourSay@powerwater.com.au) or [AERresets2024-29@aer.gov.au](mailto:AERresets2024-29@aer.gov.au) with any feedback.

**Draft Decision**  
**Power and Water Corporation**  
**Electricity Distribution**  
**Determination 2024 to 2029**  
(1 July 2024 to 30 June 2029)

Overview

September 2023



**PowerWater**

**Thank you**

**Any questions?**



# Draft decision – Q&A

Paul Harrigan (Facilitator)  
Acting General Manager  
AER Network Pricing Branch





# Closing remarks, next steps

Lynne Gallagher  
AER Board Member



# Next Steps

Milestone	Date
Power and Water Corporation submits its distribution regulatory proposal to AER	31 January 2023
AER published an issues paper for the business	28 March 2023
AER holds a public forum	5 April 2023
Submissions on regulatory proposal close	12 May 2023
AER publishes draft determination decision	28 September 2023
AER holds a pre-determination conference	October 2023
Power and Water Corporation submits revised regulatory proposal to AER	30 November 2023
Submissions on revised regulatory proposal and draft decision close	By 19 January 2024
AER publishes Power and Water Corporation distribution determination for regulatory control period	by 30 April 2024



# Submission details

- We invite interested parties to make submissions on the revised proposals and our draft decisions by **5pm AEDT, 19 January 2024**
- **We encourage early submissions, where possible, to inform our final decisions**
- Submissions should be emailed to [AERresets2024-29@aer.gov.au](mailto:AERresets2024-29@aer.gov.au)

