

17 August 2023

2025-30 Regulatory Proposal  
Attention: Dan Popping  
GPO Box 77  
Adelaide SA 5001

Dear Dan

### **Draft Regulatory Proposal 2025-30**

I am writing on behalf of the Asset Condition and Risk Sub-Committee regarding the Draft Regulatory Proposal 2025-30, particularly in relation to the proposed asset replacement and property expenditure.

The Asset Condition and Risk Sub-committee was established in 2020 to work with SA Power Networks to understand the risk and provide customer feedback on future investment, long-term sustainability and balancing current and future needs. The group is a sub-committee of the Community Advisory Board and consists of myself as Chair and Kelvin Trimper AM, along with several SA Power Networks staff. Both Kelvin and I have extensive experience in the property and infrastructure field and feel confident to provide advice on these subjects.

### **Replacement expenditure (repex)**

While SA Power Networks is proposing a significant uplift in the 2025-30 period for repex, we believe that the forecast methodology and probability of failure work undertaken by Cutler Merz and Fraser Nash has been rigorous and meets industry standards.

The sub-committee also feels that we have had some degree of influence and forecasts for expenditure are based on condition, not just age. While SA Power Networks currently has the oldest assets in the National Electricity Market, the approach adopted recognises that age is only one factor, albeit a significant one, with condition and the remaining useful life of the asset being fundamental.

Based on the rigour of the process and the science applied, we support the findings in relation to replacement expenditure and will rely on the AER to undertake an assessment of the proposal in terms of being prudent and efficient in relation to the best economic outcome.

### **Property**

The independent asset condition and criticality assessment of SA Power Networks property portfolio by the KPMG Assets and Places Group found that 90% of their portfolio is in the high-to-medium criticality range, and 80% of the overall portfolio was found to be in poor to very-poor condition and requires significant capital upgrades and investments to ensure continued safe and efficient service delivery for business operations and customers.

Since the last reset, an in-depth strategy and associated program of asset replacement and refurbishment works has been developed with KPMG and has commenced. This program of work seeks to address AER and customer concerns, including property condition assessments, Asset Management Plans, and criticality assessments and a proactive schedule of asset replacements.

We support the work undertaken by KPMG as industry subject matter experts to align the business with the appropriate property asset management and building industry standards.

We endorse the preferred expenditure option proposed for property and believe it is an appropriate level of risk mitigation that will deliver a fit-for-purpose, safe and compliant portfolio of property assets that meets the needs of SA Power Networks employees and customers.

SA Power Network should however look at how to deliver the work in the most efficient manner, for example, packaging the work to achieve economies of scale in facilities upgrades.

In relation to the transformer workshop project, we support the need for investment as it's not just about the economics. The upgrade will provide other key socio-economic benefits including the retention of local jobs, training and development and the sovereign capacity of keeping manufacturing type capabilities in SA.

Please feel free to contact me if you have any queries.

Yours sincerely

Doug Strain

Chair, Asset Condition and Risk CAB Sub-committee