



Attachment 2 - Regulatory Asset Base

2025–30 Regulatory Proposal

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Empowering South Australia

Company information

SA Power Networks is the registered Distribution Network Service Provider for South Australia. For information about SA Power Networks visit sapowernetworks.com.au

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This document contains certain predictions, estimates and statements that reflect various assumptions concerning, amongst other things, economic growth and load growth forecasts. The Proposal includes documents and data that are part of SA Power Networks' normal business processes and are therefore subject to ongoing change and development.

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Note

This attachment forms part of our Proposal for the 2025–30 Regulatory Control Period. It should be read in conjunction with the other parts of the Proposal.

Our Proposal comprises the overview and attachments listed below, and the supporting documents that are listed in Attachment 20:

Document	Description
	Regulatory Proposal overview
Attachment 0	Customer and stakeholder engagement program
Attachment 1	Annual revenue requirement and control mechanism
Attachment 2	Regulatory Asset Base
Attachment 3	Rate of Return
Attachment 4	Regulatory Depreciation
Attachment 5	Capital expenditure
Attachment 6	Operating expenditure
Attachment 7	Corporate income tax
Attachment 8	Efficiency Benefit Sharing Scheme
Attachment 9	Capital Expenditure Sharing Scheme
Attachment 10	Service Target Performance Incentive Scheme
Attachment 11	Customer Service Incentive Scheme
Attachment 12	Demand management incentives and allowance
Attachment 13	Classification of services
Attachment 14	Pass through events
Attachment 15	Alternative Control Services
Attachment 16	Negotiated services framework and criteria
Attachment 17	Connection Policy
Attachment 18	Tariff Structure Statement Part A
Attachment 18	Tariff Structure Statement Part B - Explanatory Statement
Attachment 19	Legacy Metering
Attachment 20	List of Proposal documentation

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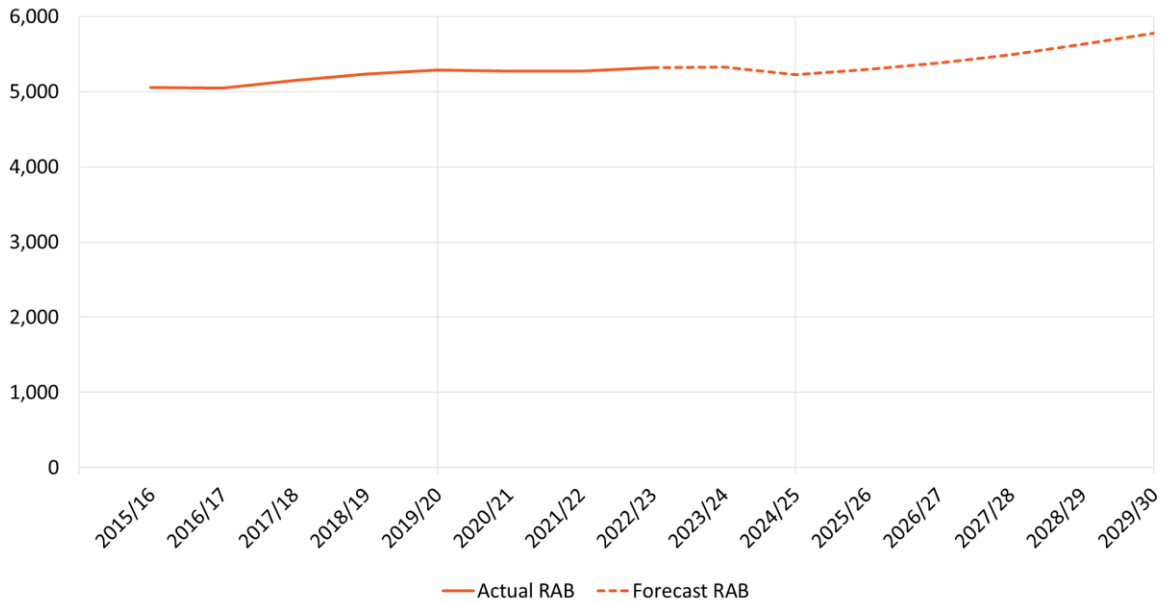
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1 Overview

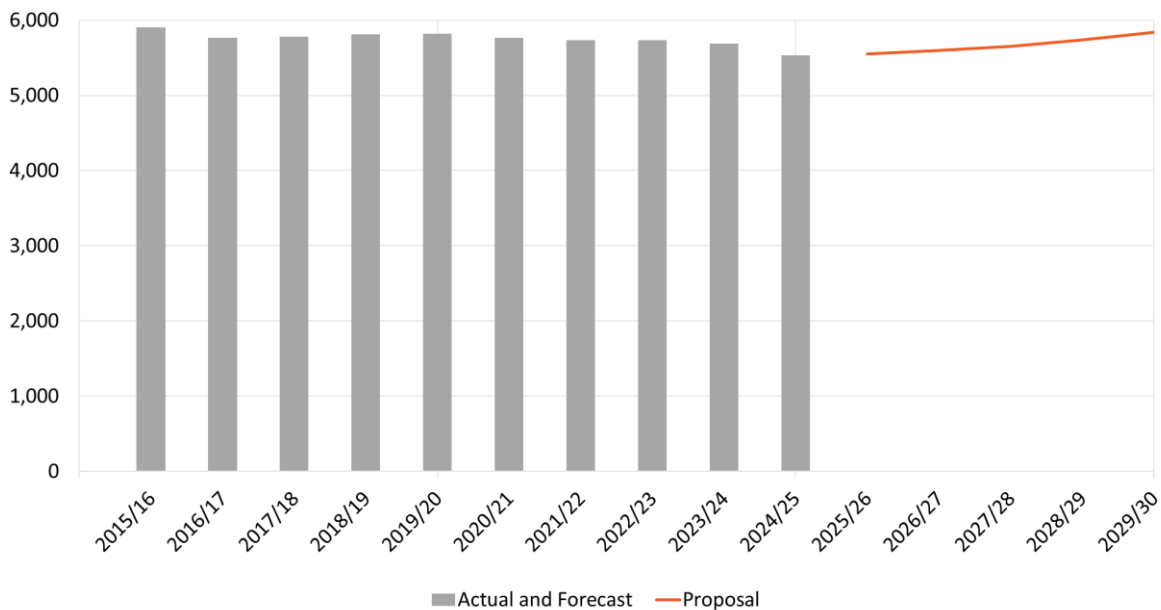
This attachment outlines the forecast for the roll forward of SA Power Networks' current regulatory asset base (RAB) for standard control services in preparation for the 2025–30 regulatory control period (RCP). SA Power Networks has demonstrated a history of a modest RAB per customer and overall RAB growth and our regulatory proposal (Proposal) for the 2025–30 RCP continues this trend. Figure 1 illustrates the proposed RAB to 2030 in real terms.

Figure 1: Standard control services RAB (\$ million, June 2025)



On a per customer basis, our RAB per customer has fallen over the 10 years to 2024/25. Whilst it is forecast to grow over 2025–30, as our proposed increase in capital expenditure over 2025–30 is not fully offset by customer number growth, it remains below the 2015 level as shown in Figure 2.

Figure 2: SCS RAB per Customer (\$ June 2025)



2 Rule requirements

Clause 6.5.1 of the National Electricity Rules (**NER**) describes the nature of the RAB for standard control services (**SCS**). It requires the Australian Energy Regulator (**AER**) to develop and publish a model for the roll forward of the RAB and prescribes the requirements for the Roll Forward Model (**RFM**).

Clause S6.1.3 covers additional information required for a proposal, including:

- a calculation of the RAB for each regulatory year of the relevant RCP, using the RFM.
- a Post Tax Revenue Model (**PTRM**) completed to show its application to the RFM.

Other provisions relating to the RAB are set out in clause S6.2 of the NER.

3 SA Power Networks' Proposal

SA Power Networks has rolled forward the RAB using the AER's RFM and PTRM in accordance with the NER.

In doing this, SA Power Networks has:

- determined the roll forward of the RAB value from 1 July 2020 to 30 June 2025 to be \$5,222.9 million (\$ nominal) for SCS; and
- determined the roll forward of the RAB value from 1 July 2025 to 30 June 2030 to be \$6,539.3 million (\$ nominal) for SCS.

Note that as at 1 July 2025, SA Power Networks' legacy Metering Asset Base will be fully depreciated, therefore the proposed reclassification of legacy metering services to SCS will not impact on the SCS RAB as detailed within this Attachment.

4 Roll forward of RAB for 2020–25 RCP

SA Power Networks has applied the methodology set out in clause S6.2 of the NER and has used the AER's RFM and PTRM to roll forward the RAB from 1 July 2020 to 30 June 2025.

As required by clause 6.5.5(b)(3) of the NER, depreciation has been applied using the same prime cost methodology and same asset lives as applied in the distribution determination for the 2020–25 RCP (**2020 Determination**).

The roll forward of the RAB to 1 July 2025 will utilise forecast depreciation, in accordance with the 2020 Determination.

SA Power Networks has made a number of assumptions in the roll forward of the RAB to 1 July 2025. These assumptions are as follows:

- actual inflation for the 2023/24 and 2024/25 regulatory years is not available so forecast CPI escalation for the 4.10 percent and 3.30 percent have been applied respectively, based on the Reserve Bank forecast as of August 2023; and
- at the time of preparing this Proposal, actual capital expenditure (**capex**) for the 2023/24 and 2024/25 regulatory years are not available so forecast capex for the 2023/24 and 2024/25 regulatory years has been applied.

These assumptions will be updated with the latest available information for the purposes of the AER's draft and final determinations. The actual data for the 2024/25 regulatory year will not be available for the AER's final determination therefore the difference between this amount and the actual amount will be reflected in the roll forward of the RAB to 1 July 2030.

In accordance with clause S6.2.1(e) of the NER, the RAB balance at 30 June 2025 is required to incorporate an adjustment for the difference between the estimated capex for the 2019/20 regulatory year incorporated into the 2020 Determination and the actual capex for the 2019/20 regulatory year. The adjustment is calculated in the RFM and summarised below.

Prior to making any decision on the RAB, the AER may determine that the amount of the actual capex that would otherwise have increased the RAB balance at 30 June 2025 in accordance with clause S6.2.1(e) of the NER, should be reduced if one or more of the following are satisfied:¹

- the overspending requirement;
- the margin requirement; and
- the capitalisation requirement.

If the AER makes such a determination, clause S6.2.1(g) of the NER requires the RAB balance at 30 June 2025 to be reduced by that amount.

SA Power Networks is of the view that no adjustment is required to be made to the RAB balance at 30 June 2025 in accordance with clause S6.2.1(g) of the NER for the following reasons:

- The overspending requirement is not satisfied as the sum of all capex incurred by SA Power Networks in the relevant review period² does not exceed the capex allowance for that period.

¹ NER S6.2.2A(a) and S6.2.2A(b).

² We note that the 'review period' applicable to SA Power Networks for the purpose of clause S6.2.2A of the NER consists of the 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 regulatory years.

- The margin requirement is not satisfied as the amount of capex to be rolled forward to the RAB balance at 30 June 2025 does not include capex that represents a margin paid by SA Power Networks. Refer to **Supporting Document 20.6 - Related Party Transactions Overview** for further information in relation SA Power Networks' arm's length contracts with related parties.
- The capitalisation requirement is not satisfied as the amount of capex to be rolled forward to the RAB balance at 30 June 2025 does not include capex that should have been treated as operating expenditure under the capitalisation policy submitted to the AER by SA Power Networks as part of its regulatory proposal for the 2020–25 RCP.

The roll forward for SA Power Networks' RAB over the 2020–25 RCP is as set out in Table 1³.

These calculations are extracted from a completed version of the AER's RFM and PTRM. The closing RAB value as at 30 June 2025 forms the opening RAB value for the roll forward of the RAB from 1 July 2025.

Table 1: SCS RAB roll forward to 30 June 2025 (\$ million, nominal)

	2020/21	2021/22	2022/23	2023/24	2024/25
Opening RAB	4,360.98	4,393.22	4,547.17	4,947.84	5,155.11
Plus capital expenditure, net of contributions and disposals	317.03	334.90	399.30	389.75	390.39
Less straight line depreciation	(322.32)	(334.63)	(354.77)	(385.34)	(390.90)
Plus nominal actual inflation on opening RAB	37.53	153.69	356.13	202.86	170.12
Difference between actual and forecast capex for 2019/20					(101.82)
Closing RAB	4,393.22	4,547.17	4,947.84	5,155.11	5,222.90

³ Numbers in Tables may not add due to rounding.

5 Roll forward of the RAB for 2025–30 RCP

SA Power Networks has modelled the roll forward of the RAB for the 2025–30 RCP on the closing RAB value as at 30 June 2025, as shown in Table 1: SCS RAB roll forward to 30 June 2025 (\$ million, nominal).

SA Power Networks has applied the methodology set out in clause S6.2 of the NER and has used the AER's PTRM.

Forecast capex has been applied as set out in Table 2 and discussed in **Attachment 5 – Capital expenditure**.

Depreciation has been calculated on a straight-line basis as included in Table 2 below and discussed in **Attachment 4 – Regulatory depreciation**.

Inflation on the opening RAB has been applied at a forecast rate of 2.50 percent, as discussed in **Attachment 3 – Rate of return**.

The projected RAB for SCS at the end of each regulatory year of the 2025–30 RCP, as calculated in the PTRM, is as set out in Table 2.

Table 2: SCS RAB roll forward to 2030 (\$ million, nominal)

	2025/26	2026/27	2027/28	2028/29	2029/30
Opening RAB	5,222.90	5,428.21	5,656.14	5,909.42	6,212.70
Plus capital expenditure, net of contributions and disposals	484.78	512.50	533.46	527.53	551.47
Less straight line depreciation	(410.04)	(420.27)	(421.59)	(371.98)	(380.18)
Plus nominal actual inflation on opening RAB	130.57	135.71	141.40	147.74	155.32
Closing RAB	5,428.21	5,656.14	5,909.42	6,212.70	6,539.31

6 Depreciation based on forecast capex

SA Power Networks proposes that depreciation for establishing the closing RAB value as at 30 June 2030 be based on forecast capex. This is consistent with the Framework and Approach paper for the 2025–30 RCP and clause S6.2.2B of the NER.

Glossary

Acronym / term	Definition
AER	Australian Energy Regulator
Capex	Capital expenditure
NER	National Electricity Rules
Proposal	2025–30 Regulatory Proposal
PTRM	Post Tax Revenue Model
RAB	Regulatory Asset Base
RFM	Roll Forward Model
RCP	Regulatory Control Period
SCS	Standard Control Services
2020 Determination	2020–25 Regulatory Control Period