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Our Ref: 16,470,604  
Contact Officer: Kris Funston  
Contact Phone: [REDACTED]

22 March 2024

Dear Andrew,

## **Revocation and substitution of our distribution determination for the 2020–25 regulatory control period**

Thank you for your letter dated 22 February 2024 in relation to the ‘cable and conductor minor repair’ error that SA Power Networks identified. In your letter you set out your concerns with the option the AER was considering of returning the over-recovered revenues associated with this error through 2024–25 prices.

I note that in relation to this matter, on 5 June 2020 the Australian Energy Regulator (AER) made its distribution determination for SA Power Networks for the regulatory control period 1 July 2020 to 30 June 2025. As part of its regulatory proposal for the 2020–25 regulatory control period, SA Power Networks proposed a step change in its forecast operating expenditure (opex) to reclassify cable and conductor minor repair expenditure as opex rather capital expenditure (capex). This was reflected in the AER’s final determination for 2020–25.

As part of the early signal pathway process for its 2025–30 regulatory proposal, SA Power Networks informed us that the opex step change for cable and conductor minor repairs was in error. SA Power Networks informed us that it had discovered that cable and conductor minor repairs expenditure had always been treated as opex in its regulatory reporting.

After giving this matter further consideration, including the matters raised in your 22 February 2024 letter, the AER, considers it appropriate to revoke the determination under rule 6.13 of the National Electricity Rules (NER) and substitute it with a new determination to correct this error. Given the magnitude of the impact of the error on forecast opex and capex, and the consequential impacts on revenue, the Demand Management Innovation Allowance Mechanism and the Service Target Performance Incentive Scheme incentive rates, this was considered a material error.

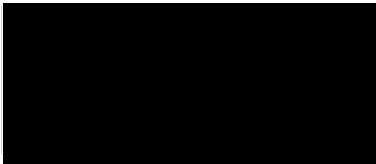
In accordance with rule 6.13(d) of the NER, the AER consulted with SA Power Networks and considered the feedback it provided. The AER also consulted with consumer representative groups and put the feedback from these representatives to SA Power Networks for comment. Taking the information from these consultation processes into account the AER then made the decision to revoke and substitute SA Power Networks’ distribution determination for the regulatory control period 1 July 2020 to 30 June 2025. The revocation and substitution determination is attached and involves returning the over-recovered revenues associated with this error through 2024–25 prices. The amended constituent

decisions, reflecting the revocation and substitution, are included in the attached revocation and substitution determination.

We consider the changes which have been made are necessary to correct the relevant material error or deficiency.

If you have any queries on this matter please contact Kris Funston, Executive General Manager, Network Regulation, on [REDACTED].

Yours sincerely

A large black rectangular redaction box covering the signature area.

Clare Savage  
AER Chair

Sent by email on: 22.03.2024