

SA Power Networks

2025–30 Regulatory Proposal
Online Public forum

Acknowledgement of Country

Jim Cox

AER Board Member

AER welcome and introductions

Jim Cox

AER Board Member

Agenda

Topic	Speaker	Duration
Welcome/ Acknowledgment of country	Jim Cox, AER Board member	5 mins
SA Power Networks presentation	<ol style="list-style-type: none">1. Andrew Bills, Chief Executive Officer2. Mark Vincent, Chief Operating Officer3. Chris Marsden, Consumer Advisory Board	15 mins
Overview of Issues Paper	Kris Funston, Executive General Manager	10 mins
Consumer Challenge Panel (30) Facilitated Discussion	Mark Henley	25 mins
Closing remarks, next steps	Jim Cox, AER Board member	5 mins

SA Power Networks

Andrew Bills, Chief Executive Officer

Mark Vincent, Chief Operating Officer

Chris Marsden, Consumer Advisory Board



SA Power Networks' 2025-30 Regulatory Proposal

AER Public Forum

9 April 2024

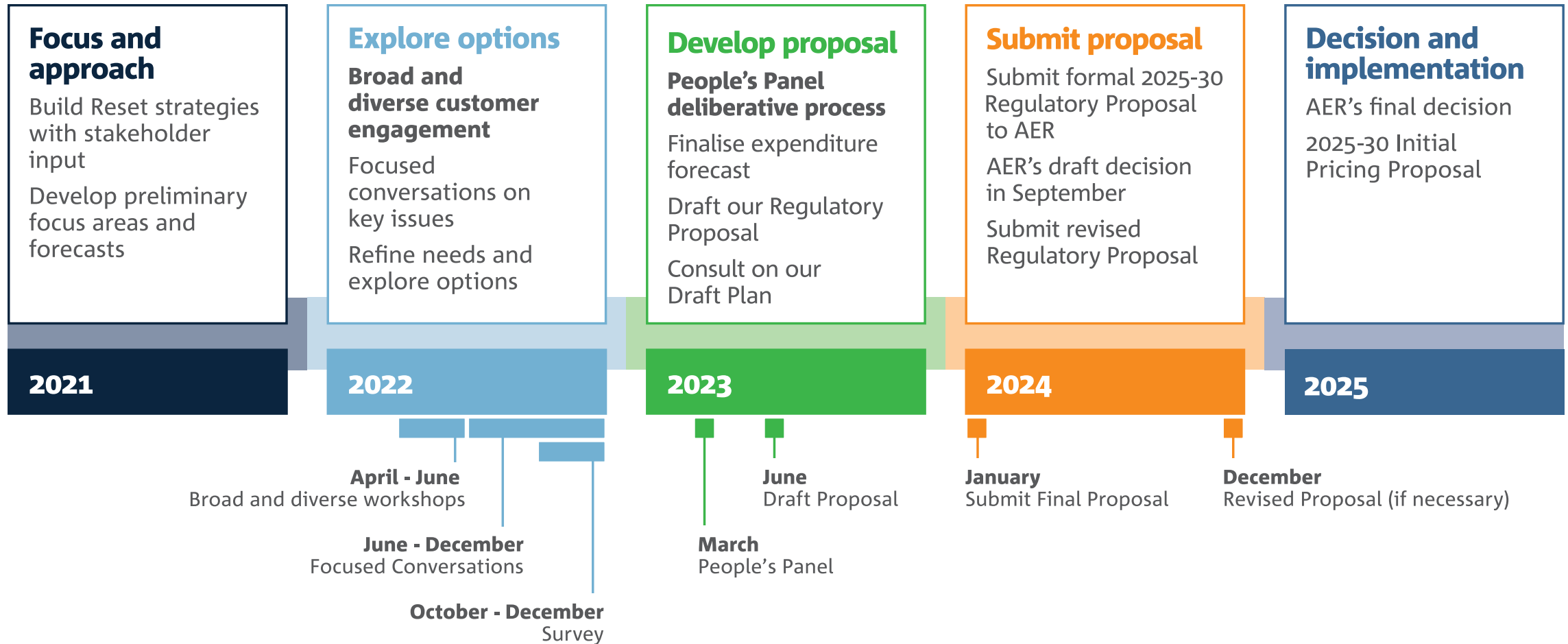


Our Proposal in a nutshell

- Over nearly three years of engagement, customers have consistently expressed that they want service levels maintained, and the energy transition enabled
- Achieving this will require material expenditure uplifts to address deteriorating asset condition, nation-leading CER take-up and demand growth unseen in a decade
- This is not steady state
- Customers have dominantly supported this uplift on the basis that prices will not materially rise, and will reduce post-2030



We have not landed here lightly

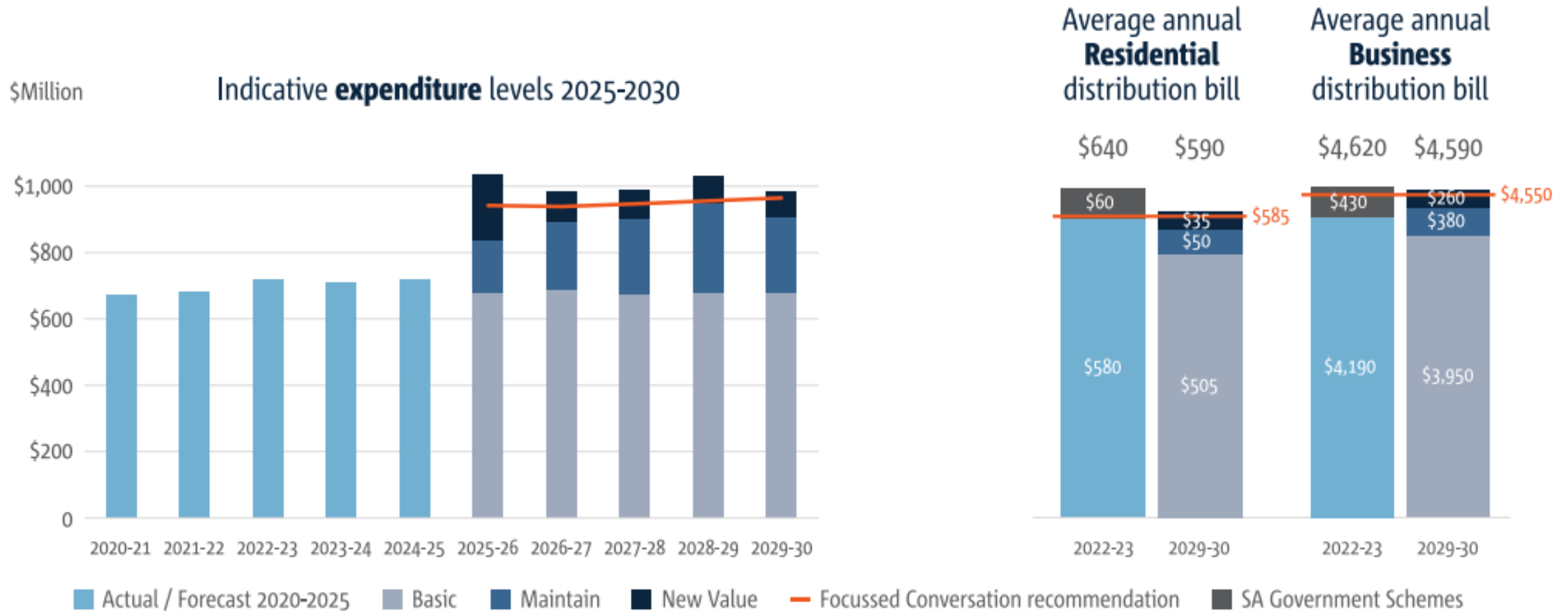


We have engaged extensively with industry advocates as well as the general public



	Topics	Workshops	Participants	Hours	CAB Meetings
2021 Research		9	1,238	338	
Broad & Diverse		6 Targeted / 6 Regional	233	1,311	6
Focused Conversations	11	44	1,699	924	8
People's Panel	13	6.5 Days	51	2,423	4
Draft Proposal	4	1	94	188	3
Totals	28	110	3,315	5,183	22

And have been very clear of the counterfactual*

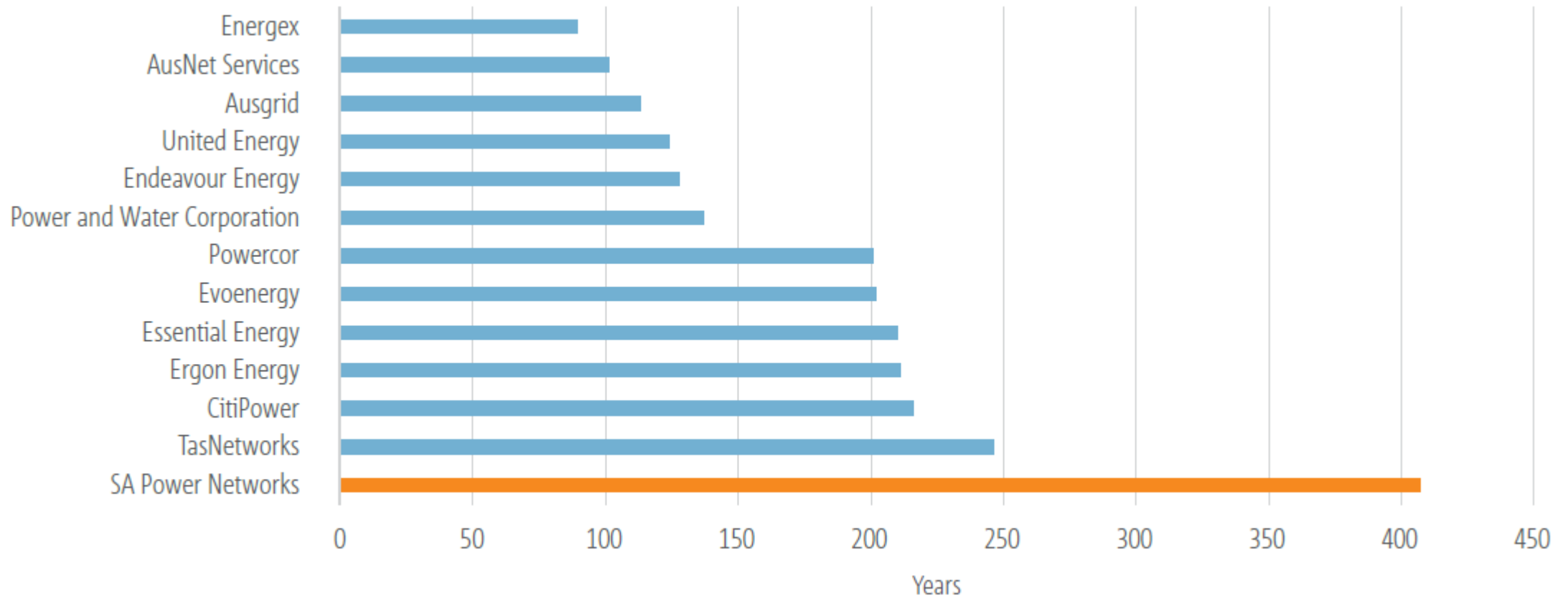


* Extract from People's Panel booklet & presentation. This information was also provided at every 'deep dive'.

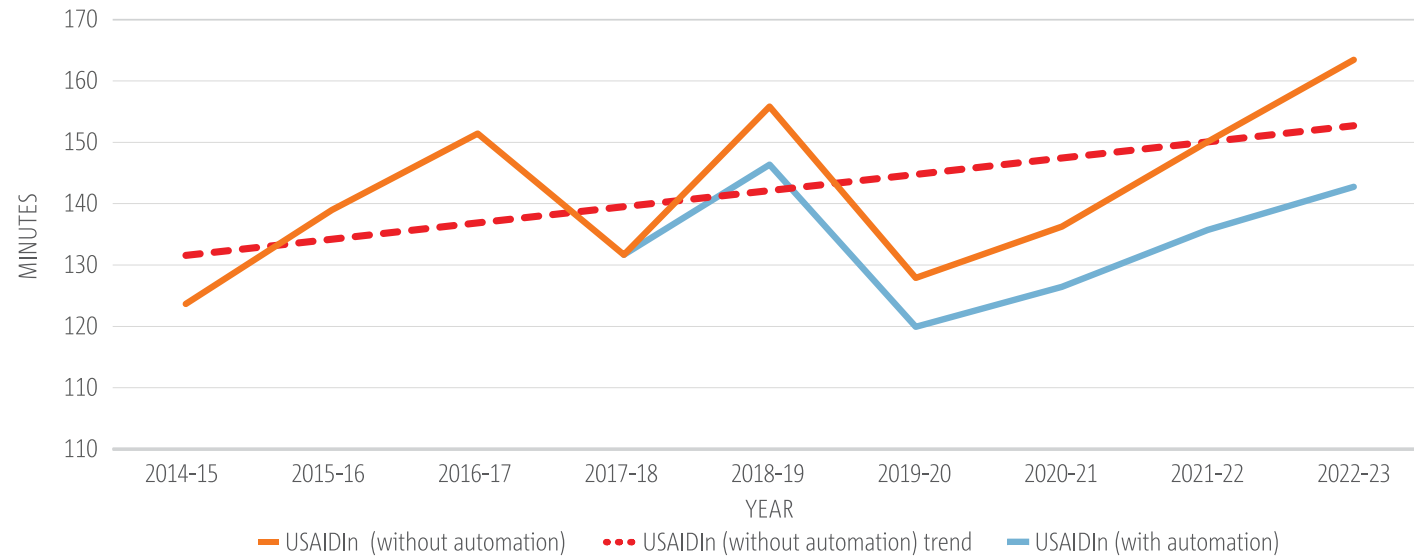
Why is an uplift required?



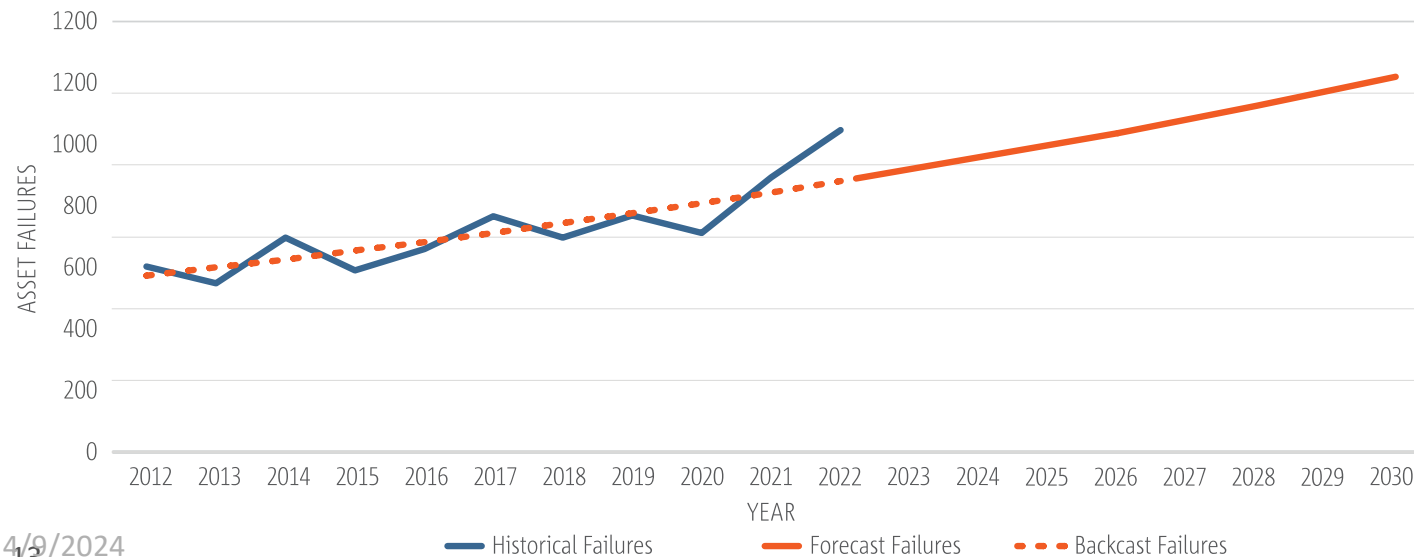
Our asset replacement rates are the lowest in the NEM



Underlying network & asset performance is deteriorating

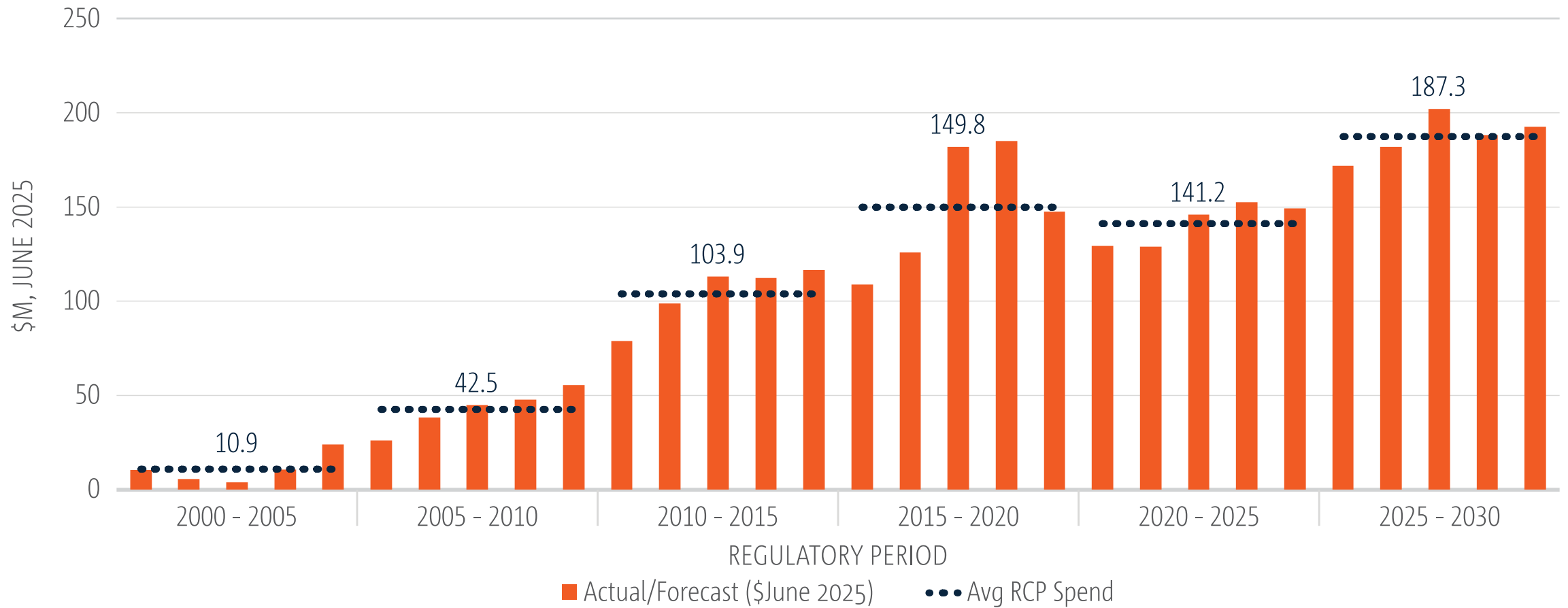


- **Underlying reliability has deteriorated** although this has been masked by investment in network automation

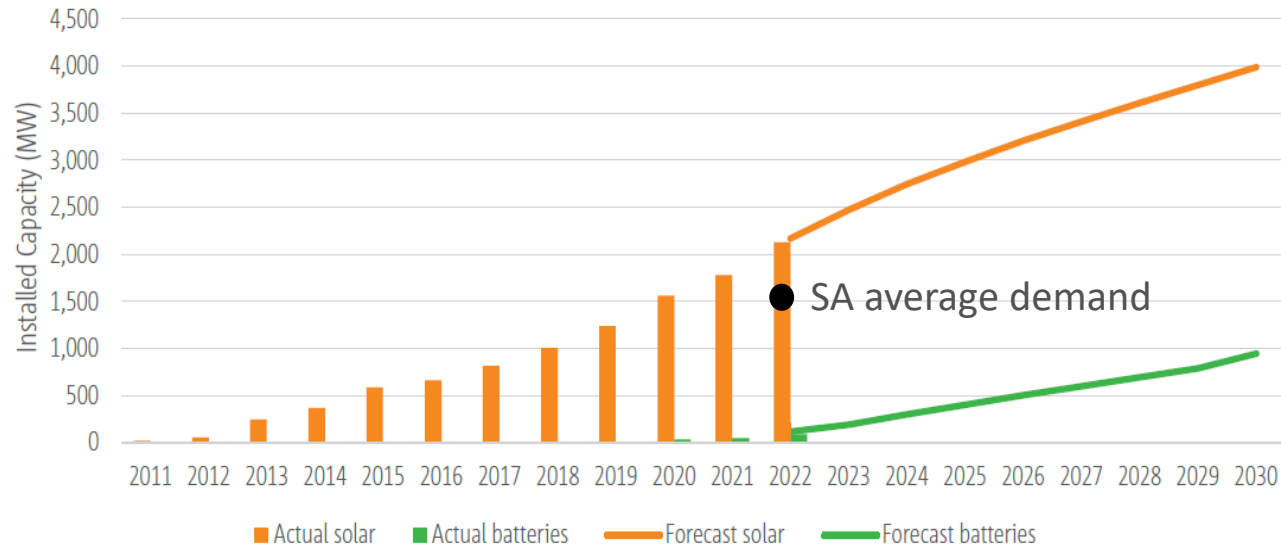


- **Failure rates in key asset classes have also increased**
- This data has been used to forecast future failures in our risk-cost model
- Backcasting using the same model provides confidence in forecast accuracy

This deterioration has occurred despite a continued 'repex' ramp-up

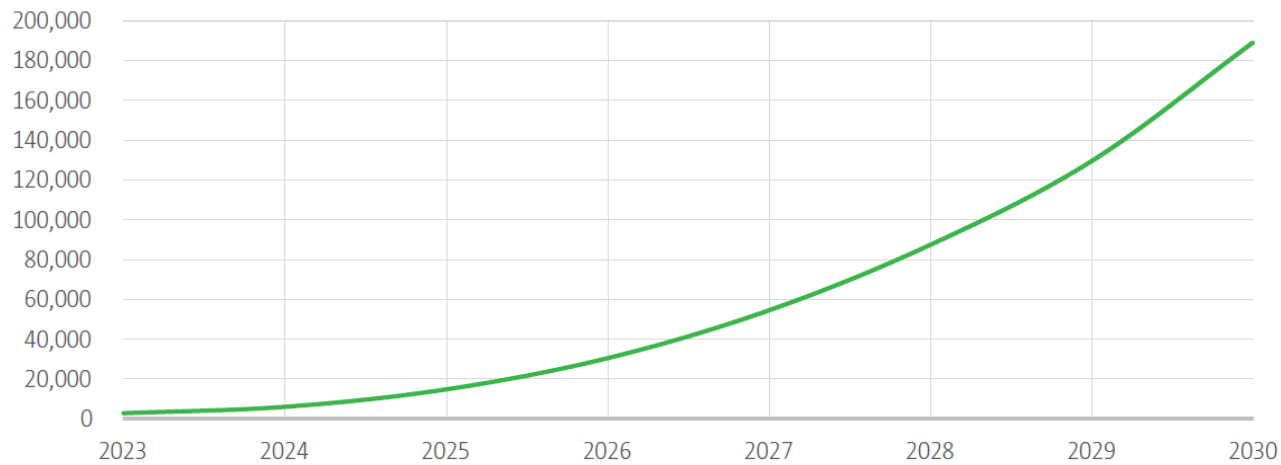


Customer energy resources continue to grow



Source: AEMO ISP2022, Step Change Scenario

South Australia is leading the world in the transition to renewable energy ...

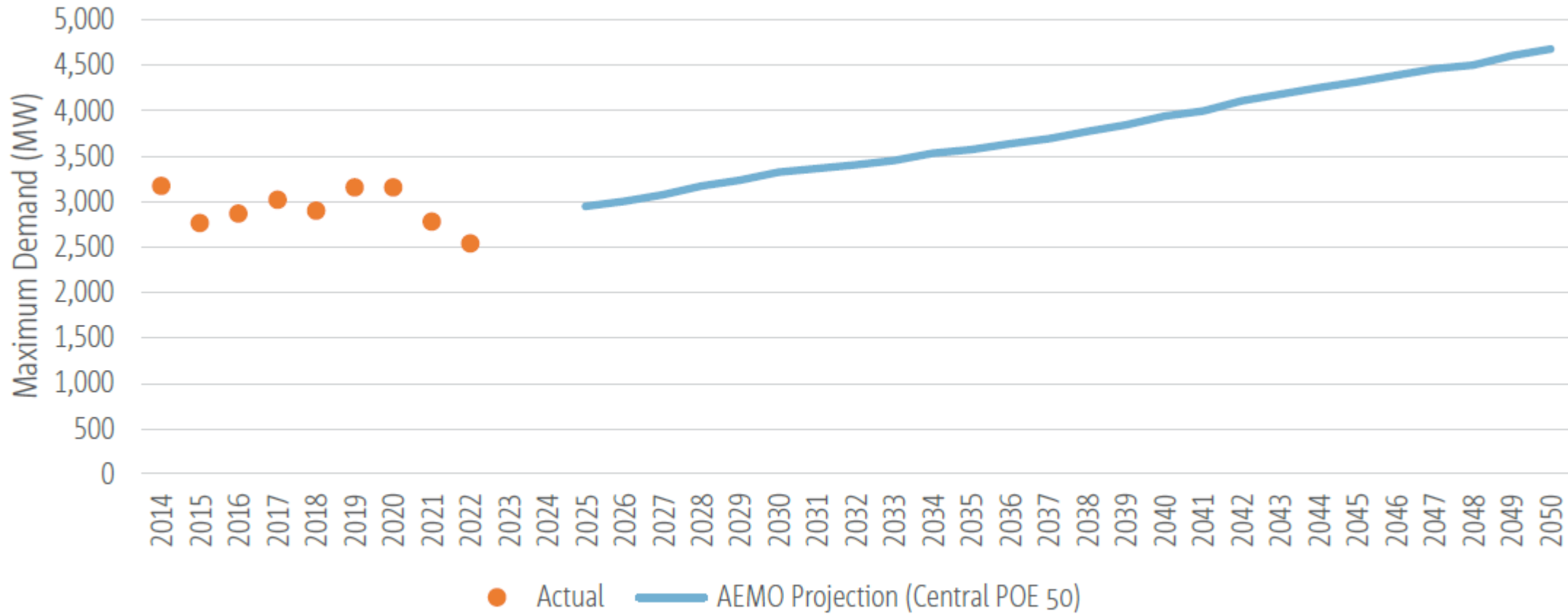


Source: AEMO IASR 3.5/ESOO 2022

... and electric vehicle uptake is accelerating.

By 2030 we expect around 200,000 EVs in South Australia

South Australian customer demand for electricity is growing



Source: AEMO ISP2022

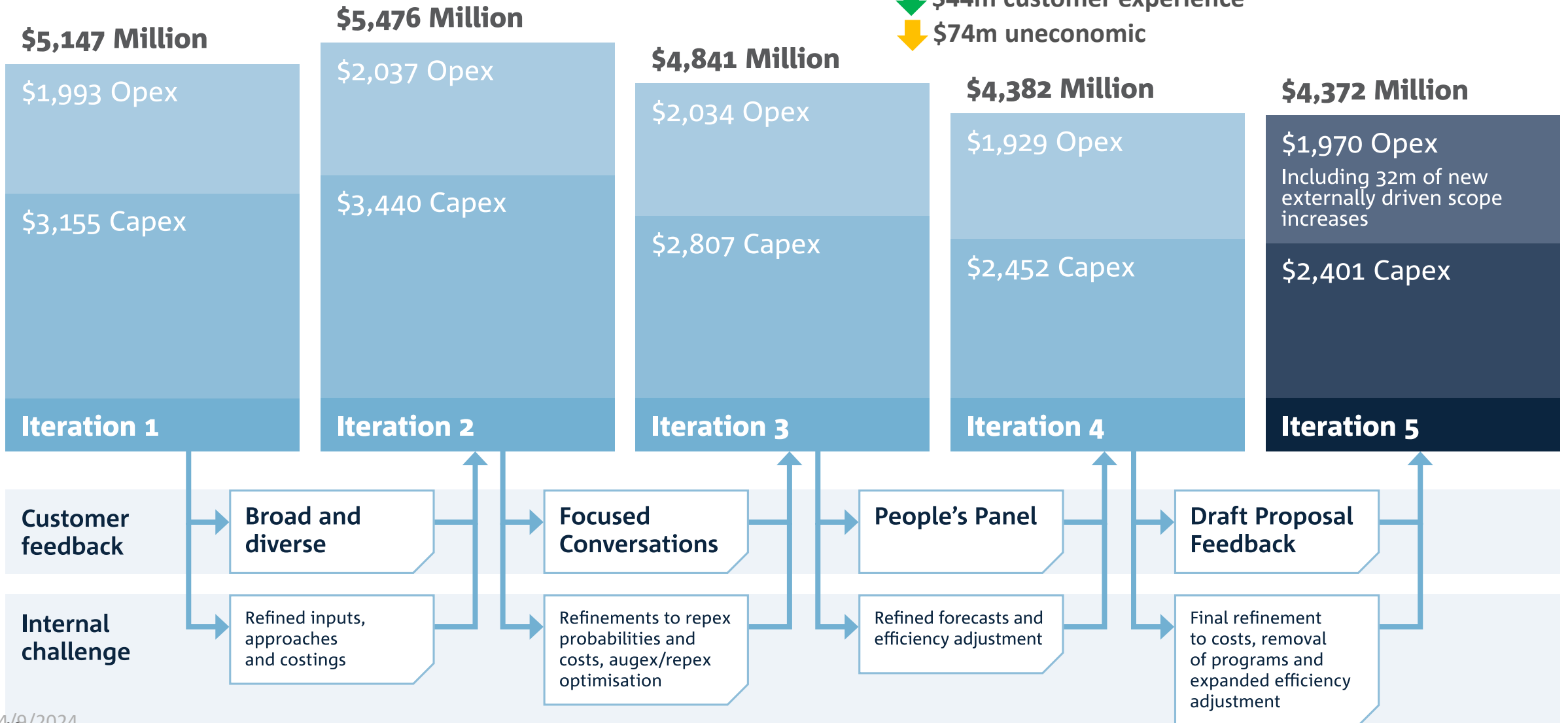
Continual refinement informed by multiple factors



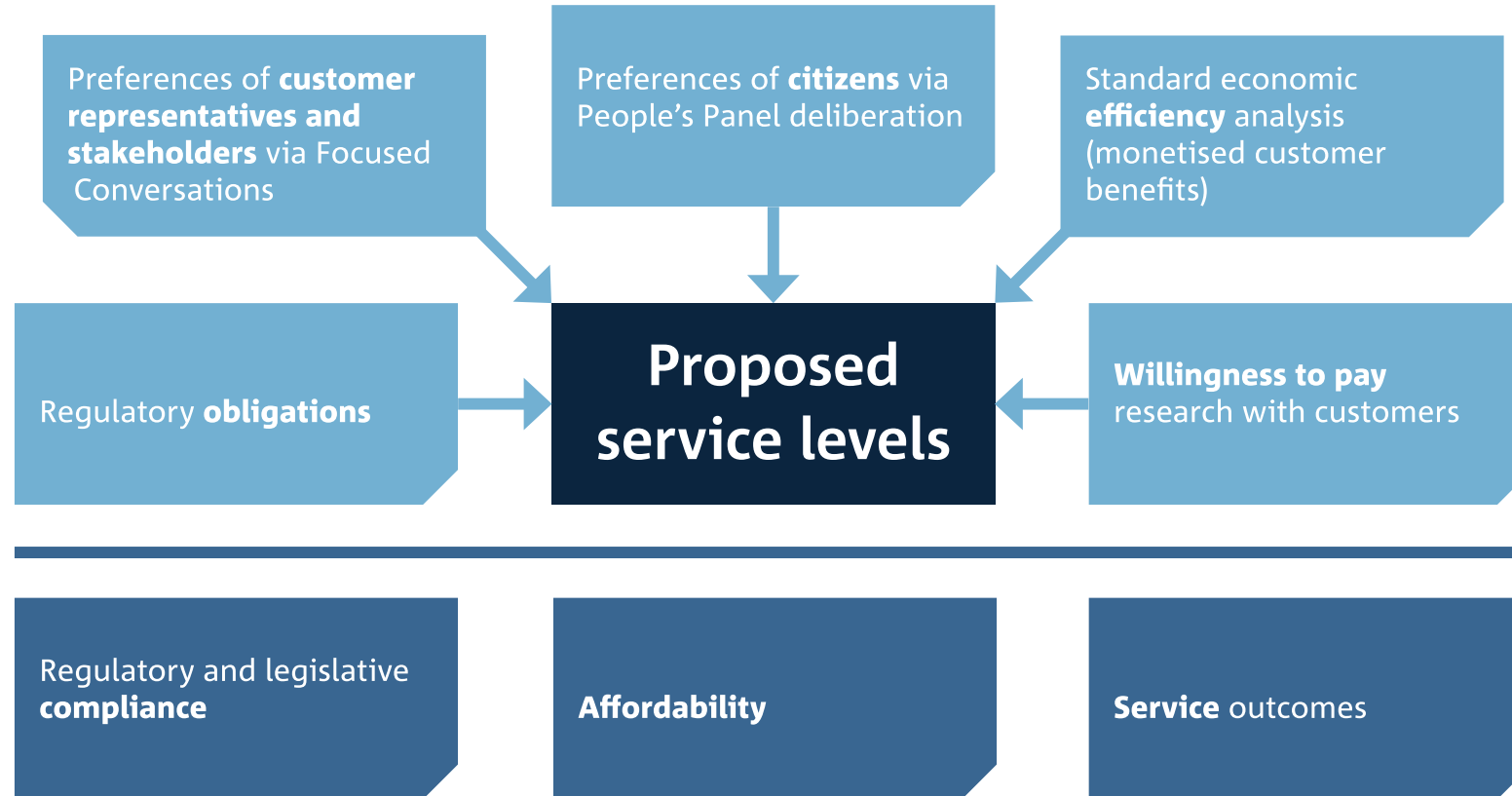
Customers' preferred outcomes at least cost

↓ \$42m additional productivity & refinements

↓ \$96m vegetation management
 ↓ \$44m customer experience
 ↓ \$74m uneconomic



Informed by multiple information sources in addition to our People's Panel ...



... and demonstrably efficient:

The NPV of new investments provides net customer benefits of more than **\$500m** over 20 years

The South Australian opportunity

- **The energy future is bright.** Electrification will see customers' total energy bills significantly reduce.
- **Our challenge is the short-term.** The immediate cost of living pressures faced by our customers.
- **Network expenditure in SA must increase** to support the energy transition and move toward sustainable asset replacement rates. Most stakeholders accept this. The debate is 'when'. And some argue 'not now' given cost of living pressures.
- **Expenditure can increase without material network bill increases** owing to reduced depreciation and expiry of the premium FiT scheme.
- **Customers understood this opportunity & wanted us to capitalise on it.**
- **A delay would result in performance degradation.** And risk an inefficient catch-up in subsequent periods. This is not what the majority of customers have asked of us.
- **Maintain performance, enable the energy future, and do so at least cost** has been our customers' consistent mantra. This is what our Proposal seeks to achieve.





Empowering South Australia

Community Advisory Board presentation

SAPN Community Advisory Board (CAB)

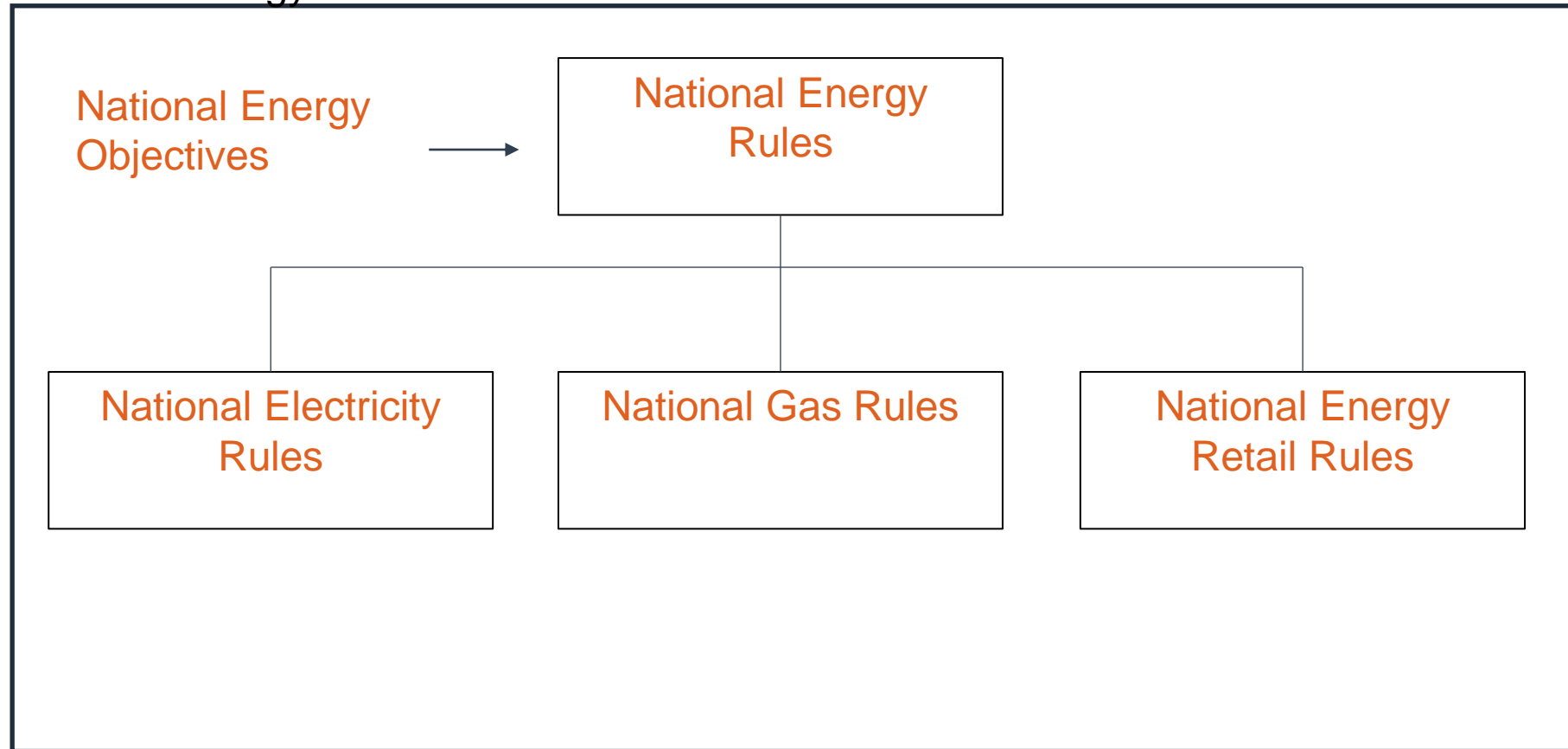
- No real surprises in the AER's Issues Paper
- CAB (and SA electricity consumers) strongly encourage the AER to examine what is prudent and efficient in SAPN's proposal
- Affordability – importance has increased over the two years of engagement – but no “average consumer”
- Did the three initial scenarios – Basic, Maintain and New Value – limit discussion on Basic's costings?
- Consumer influence on <10% of SAPN's revenue
- CAB recommends AER review its Better Resets Handbook

Overview of Issues Paper

Kris Funston
Executive General Manager
Network Expenditure

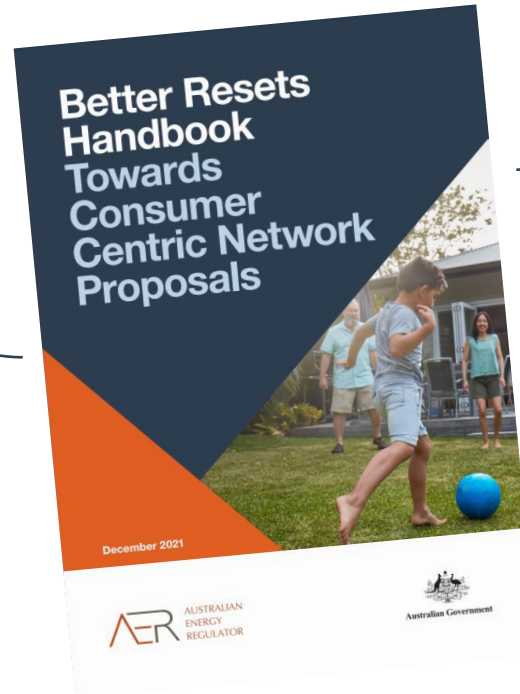
Legal Framework

National Energy Laws



Better Resets Handbook

Sets out the **AER's expectations** for **consumer engagement** by the network in formulating a regulatory proposal



Sets out the AER's expectations for **expenditure forecasts**

Where a proposal **meets expectations** the AER can undertake a **targeted review**

Early signal pathway

- Network commits to plan to develop proposal with consumers
- AER agrees provides feedback before lodgment
- AER gives an 'early signal' (ie pre-draft decision) on areas for targeted review



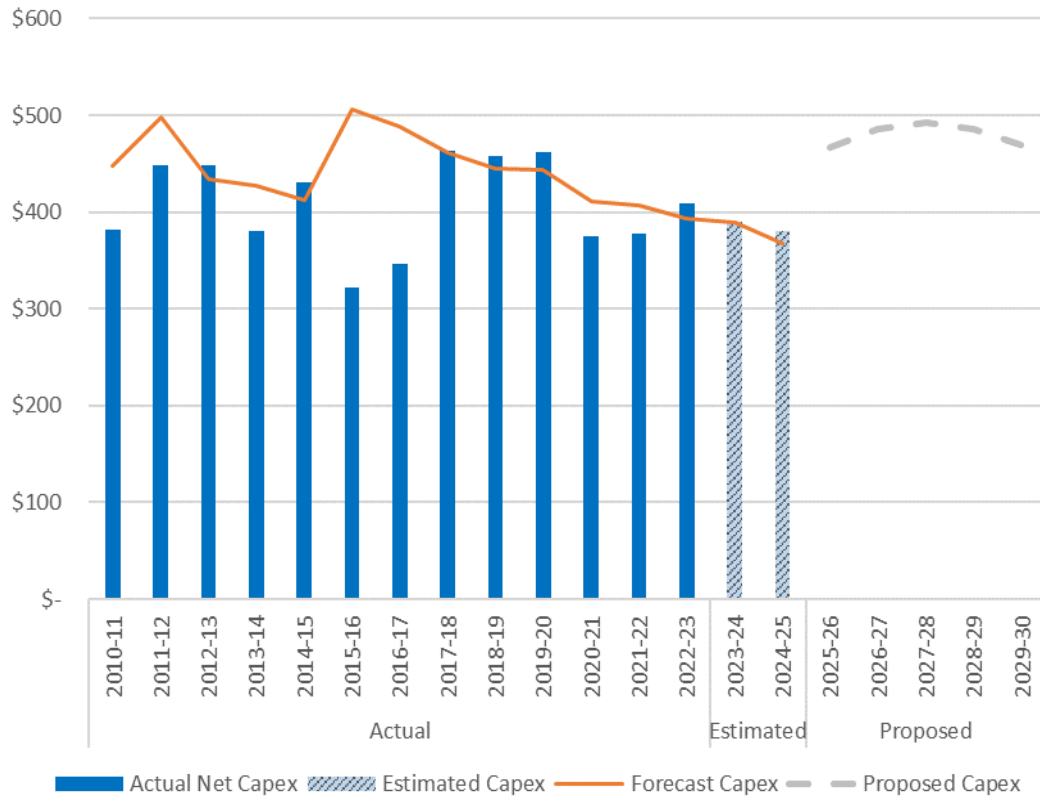
We would like stakeholder views

- The scope of our targeted review, particularly for capex and opex
- The balance between investment and affordability

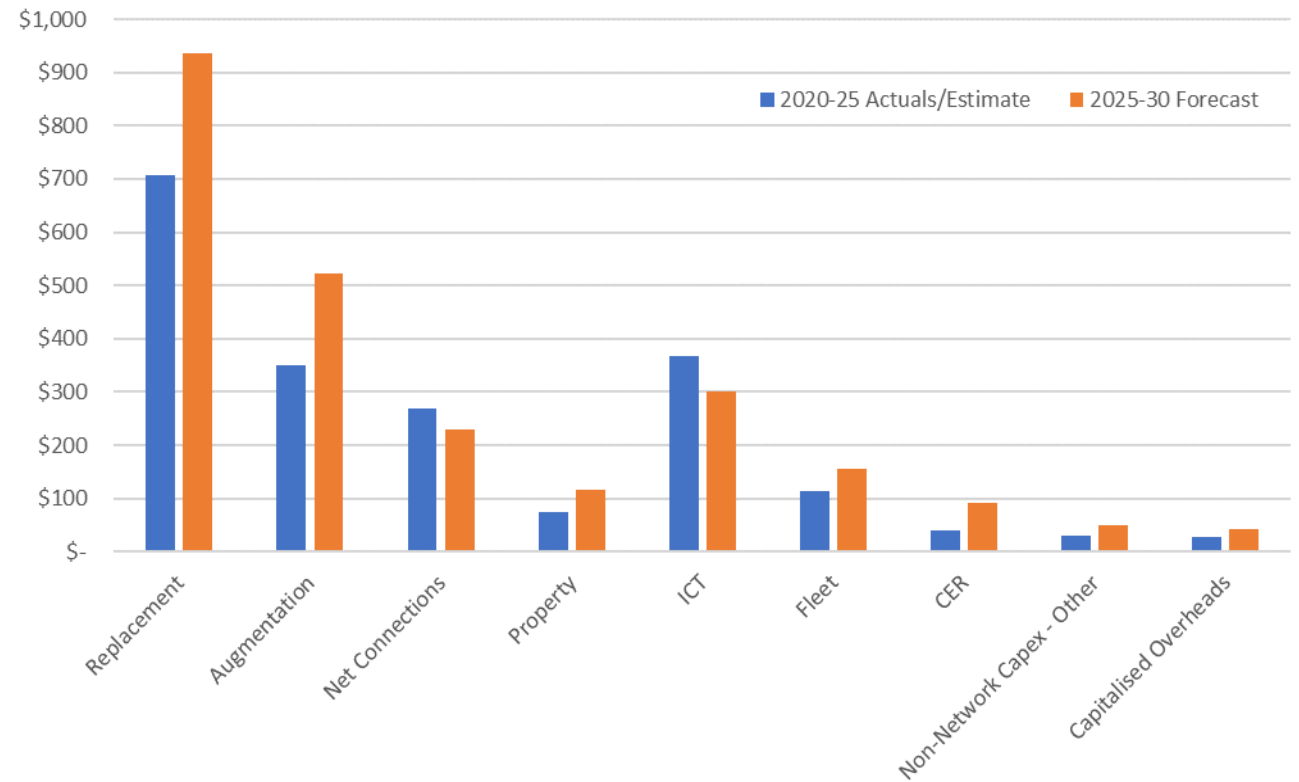
	Targeted (in-depth) review	Capability for substantial acceptance at Draft decision stage?
Capex	50% to 65%	No
Opex	~10%	No
Depreciation	High level review	Yes
Tariffs	High level review	Yes

SA Power Networks' proposed Capital expenditure

Total capital expenditure (\$2024-25), \$million

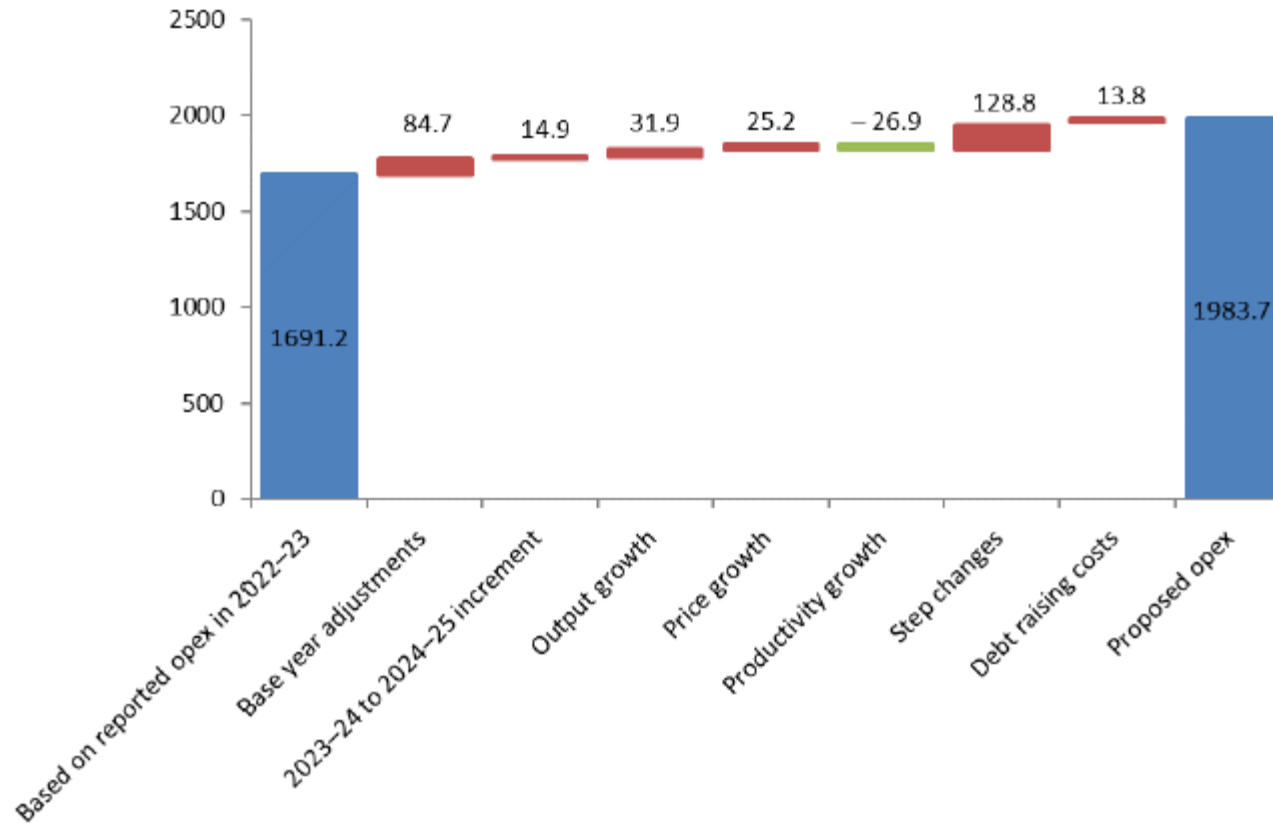


Capital expenditure by category (\$2024-25), \$million



SA Power Networks' proposed operating expenditure

Breakdown of opex forecast (\$2024-25), \$million





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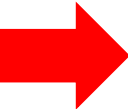
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Facilitated Discussion

Mark Henley
Consumer Challenge Panel (30)



Next Steps

Milestone	Date
SA Power Networks submitted a regulatory proposal to the AER	31 January 2024
AER published an issues paper	26 March 2024
AER holds a public forum	9 April 2024
 Submissions on regulatory proposals close	15 May 2024
AER publishes draft determination decision	September 2024
AER holds a pre-determination conference	October 2024
SA Power Networks submits revised regulatory proposal to AER	December 2024
Submissions on revised regulatory proposal and draft decision close	January 2025
AER publishes distribution determination for regulatory control period	April 2025

Submission details

- We invite interested parties to make submissions on the Issues Paper by **5pm AEST, 15 May 2024**.
- **We encourage early submissions, where possible, to inform the next phase of consultation.**
- Submissions should be emailed to SAPN2025@aer.gov.au

