

Mr Kris Funston
Executive General Manager
Australian Energy Regulator
SAPN2025@aer.gov.au

Dear Mr Funston

Submission on SAPN 2025-30 Regulatory Proposal based on CAB Presentation to AER Forum: April 9, 2024

On behalf of SA Power Networks' (SAPN) Community Advisory Board's Reset Committee 2022-24, I submit our presentation to the AER's Public Forum on SAPN's 2025-30 revenue proposal as a formal submission to the AER.

Regards

Chris Marsden
Acting Chair
CAB Reset Subcommittee

Talking Points:

Thank you for this opportunity for the CAB to present its views on the AER's Issues Paper and the SAPN revenue proposal for 2025-30.

The CAB was established in March 2022 and its subcommittee, the CAB Reset, in April 2022. The latter has met monthly (except for Januarys) since.

The CAB acknowledges the commitment by SAPN to its engagement processes and encourages the AER to consider, along with the CCP 30 Assurance Report, the Independent Consultant's Report lodged with SAPN's proposal.

1 No real surprises in the Issues Paper

There are numerous similar issues highlighted in the Issues Paper, the CCP 30 assurance report and the CAB's Independent Consultant's Report

In our opinion, SAPN's proposed 7% increase in revenue including a 21.9% increase for CAPEX and a 18.8% for OPEX, should absolutely result in the large number of targeted reviews outlined in the Issues Paper.

2 AER Prudent and Efficient Reviews

The CAB, in several meetings with the AER Board, highlighted the need for the AER to fully examine the prudence and efficiency of SAPN's expenditure proposals – nothing has changed.

The CAB Reset Committee did not examine the prudence and efficiency of expenditure proposals or the drivers of increased expenditure due to our Terms of Reference (focussing on the engagement process); not having independent expert assistance; basically, we were advised that this was the AER's role.

3 Affordability

No one would be surprised that affordability has become more prominent over the last two years.

CCP 30 notes the bi-modality within SA between solar and non-solar households – we would suggest that it is broader for instance, solar, non-solar, solar + battery, home owners, renters etc. Therefore, there is no “average consumer” and while solar/battery owners have spent their own money, affordability of network costs, has a greater, disproportionate impact on renters, and low-income consumers. But it does also impact on all consumers.

4 Initial three scenarios

The AER, CCP 30 and CAB’s Independent Consultant’s Report all query the three initial scenarios – Basic, Maintain and New Value.

Did we, the CAB, sufficiently question the Basic Scenarios’ costings – no as it wasn’t in our Terms of Reference, nor did we have the expertise to do so

But we did query why the first scenario was basically a deterioration of service levels and understandably who would agree to a degraded service from their DNSP?

So, in relation to the Issues Paper’s Q 4 re price stability, our answer is maybe – acknowledging the end of asset life (ie fully depreciated) probably means more REPEX, but CAB is unsure that it was fully explained that with depreciation being down and premium F-i-T ending, lowering the network’s component of the overall electricity bill under the Basic Scenario and, ignoring the deterioration, the proposal could have been built with CAB and the engagement channels, from that starting point.

5 Consumer influence on revenue proposal

Community representatives volunteer for CAB roles to make a difference – in this case, on SAPN’s services and costs to the community.

Therefore, the CAB Reset committee was surprised to realise that our direct influence was potentially over less than 10% of SAPN’s revenue for 2025-30. This is not to criticise SAPN – it is the National Electricity Rules that dictate much of the revenue determination.

Yes, the CAB members have survived the two years of meetings, focussed conversations and the People’s Panel but at what cost to SAPN (large) and our expectations to make a significant difference to the revenue proposal?

6 Better Reset Handbook review

Hundreds of hours of consumer engagement by SAPN and many of the CAB members; the Early Signal Pathway process; leads us to? A large number of AER targeted reviews over the SAPN proposal.

This effort wasn’t wasted as CAB and others have acknowledged SAPN’s commitment to sincere engagement. CAB Reset, in particular, has greatly appreciated the constant senior executive attendance.

However, CAB strongly recommends the AER reviews its Better Reset Handbook – with input from NSPs, CCPs and CABs – and hopefully, a revised guideline better manages all expectations from consumer engagement.

Conclusion

SAPN’s CAB strongly supports the AER undertaking in-depth reviews of CAPEX and OPEX outlined in the Issues Paper to assess what is prudent and efficient in SAPN’s proposal – as the Issues Paper states numerous times, the AER’s role is to ensure that customers pay no more than necessary for electricity services that meets their current and future needs.

Thank you.