

# Draft Decision

## SA Power Networks Electricity Distribution Determination 2025 to 2030 (1 July 2025 to 30 June 2030)

### Attachment 16 Alternative control services

September 2024

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## 16 Alternative control services

This attachment sets out our draft decision on prices SA Power Networks is allowed to charge customers for the provision of the following alternative control services: ancillary network services, public lighting services.

Alternative control services are customer specific, or customer requested services and so the full cost of the service is attributed to a particular customer, or group of customers, benefiting from the service.

We set service-specific prices to provide a reasonable opportunity to the distributor to recover the efficient cost of each service from customers using that service. This is in contrast to standard control services where costs are spread across the general network customer base.

In the current period, metering services were also classified as alternative control services. However, our draft decision accepts SA Power Networks' proposal to reclassify them as standard control services (see Attachment 13). Our draft decision on metering services is set out in Attachment 20.

### **Note on our draft decision price lists**

Unlike previous distribution determinations, we have not included our draft decision price lists for ancillary network services and public lighting services in this document. Rather, our draft decision price lists are within the ancillary network services model (ANS model) and public lighting pricing model, respectively, that we published with this draft decision:

- AER Draft Decision - SAPN - 15.1.1 - Standardised ANS Model - January 2024 - Public
- AER Draft Decision - SAPN - 15.2.1 - Public Lighting Pricing Model - January 2024 - Public

In this attachment, we point to these models, including cell references, when discussing our draft decision price lists.

We have made this change to avoid transcription errors that can occur when replicating prices from the model in the document. We have been conscious to make the presentation of the price lists in the models easily accessible for stakeholders. As this is the first time we have taken this approach, we are open to receiving feedback from stakeholders on the presentation of these price lists and any future improvements.

## 16.1 Ancillary network services

Ancillary network services are non-routine services provided to individual customers as requested. Our F&A paper outlined several types of services that meet this broad definition.<sup>1</sup>

Ancillary network services are charged to customers on a user-pays approach which are charged on either a fee or quotation basis, depending on the nature of the service.

We determine price caps for fee-based services for the 2025–30 period as part of our determination, based on the cost inputs and the average time taken to perform each service. These services tend to be homogenous in nature and scope and can be costed in advance of supply with reasonable certainty, such as disconnections and special meter reads.

By comparison, prices for quoted services are based on the quantities of labour and materials required, with the quantities dependent on a particular task. Prices for quoted services are determined at the time of a customer's enquiry and reflect the individual requirements of the customer's service request.

For this reason, it is not possible to list prices for quoted services in our decision. However, our draft decision sets the maximum labour rates to be applied to quoted services.

### 16.1.1 Draft decision

Our draft decision does not accept SA Power Networks' proposed prices for ancillary network services although we consider SA Power Networks' proposal is largely reasonable.

#### 16.1.1.1 Fee-based and quoted services

Our draft decision does not accept SA Power Networks' proposal as submitted. Based on our analysis and updated inputs, our draft decision is to:

- accept SA Power Networks' proposed labour rates for the following labour categories as they are below our maximum reasonable labour rates:
  - Administrative Officer (after hours)
  - Field worker (after hours)
  - Project Manager (business hours and after hours)
  - Technical Specialist (business hours and after hours)
  - Engineer (business hours and after hours)
  - Senior Engineer (business hours and after hours)
- not accept the following labour rates as they are above our maximum reasonable benchmark labour rates. As a result, we have substituted them with our benchmark labour rates:
  - Administrative Officer (business hours)

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<sup>1</sup> See AER, *Final framework and approach – SAPN 2025-30 - July 2023*, p.8.

- Field worker (business hours)
- substitute SA Power Networks’ proposed year one (2025–26) prices for fee-based services with our draft decision price caps for 2025–26 (see section 16.1.4.2 and our draft decision ANS model).<sup>2</sup>
- substitute SA Power Networks’ proposed X factors with our draft decision labour price growth forecasts (see our draft decision ANS model).<sup>3</sup>

### 16.1.1.2 Form of control for ancillary network services

Our draft decision is to maintain our final F&A position to apply price caps to ancillary network services as the form of control.

Under a price cap form of control, we set a schedule of price caps for fee-based services and maximum labour rates for quoted services for the first year of the regulatory control period, 2025–26. For each year thereafter, we adjust the price caps and maximum labour rates for inflation, the X factor,<sup>4</sup> and any relevant adjustments. This mechanism is set out in greater detail in section 14.5.2 of Attachment 14 – Control mechanisms.

As ancillary network services have a high share of labour and labour-related inputs, we use labour price growth forecasts as the ancillary network services X factor. Consistent with our previous decisions, we derived the X factor by averaging wage price index growth forecasts from KPMG (provided by the AER) and BIS Oxford Economics (provided by the distributor).<sup>5</sup> Our draft decision X factors for ancillary network services are set out in our draft decision ANS model.<sup>6</sup>

### 16.1.2 SA Power Networks’ proposal

SA Power Networks proposed to maintain its list of fee-based services from the 2020–25 period. In addition, SA Power Networks proposed to introduce three new fee-based service categories:<sup>7</sup>

- Multi-site outages

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<sup>2</sup> AER, *AER Draft Decision - SAPN - 15.1.1 - Standardised ANS Model - January 2024 – Public*, Table 3 in excel tab ‘AER Draft Decision’.

<sup>3</sup> AER, *AER Draft Decision - SAPN - 15.1.1 - Standardised ANS Model - January 2024 – Public*, Table 1 in excel tab ‘AER Draft Decision’.

<sup>4</sup> Under the CPI–X framework, the X factor can be a measure of the real rate of change in prices from one year to the next. For ancillary network services, the X factor is the change in wage prices given that labour is the primary cost input for providing these services.

<sup>5</sup> For more detail on the reasons for this decision, see the discussion in section 6.4.2 of Attachment 6 – Operating expenditure.

<sup>6</sup> AER, *AER Draft Decision - SAPN - 15.1.1 - Standardised ANS Model - January 2024 – Public*, Table 1 in excel tab ‘AER Draft Decision’.

<sup>7</sup> SAPN, *Attachment 15 – Alternative Control Services*, January 2024, p. 9.

- Retailer-requested planned supply outages for the purpose of replacing a legacy meter for multi-occupancy sites where supply is connected by a shared fuse.
- Retailer by-pass request
  - Request from a retailer to complete an emergency supply restoration due to a meter fault or other issue, where the metering equipment is not owned by the distributor. After consulting with retailers, SA Power Networks proposed to update this service from a quoted to a fee-based service.
- Knock before you disconnect
  - Retailer request for SA Power Networks to attempt to contact the customer on site and advise payment options prior to disconnecting the customer for non-payment. This fee will only apply when a retailer specifically requested SA Power Networks to perform this service. SA Power Networks stated its customers strongly supported introducing this service.<sup>8</sup>

SA Power Networks proposed to maintain its current six labour categories to reflect the different types of labour it uses in providing ancillary network services (see Table 16.1).<sup>9</sup> SA Power Networks derived its proposed labour rates for the 2025–30 period by escalating the current approved ANS labour rates using the labour escalation formula, including labour price growth.<sup>10</sup> SA Power Networks also proposed adding a vehicle allowance for its field worker category.<sup>11</sup> We observe SA Power Networks’ proposed labour rates for 2025–26 are on average 7% higher than SA Power Networks’ approved 2024–25 labour rates.

Table 16.1 and Table 16.2 in section 16.1.4.1 contain SA Power Networks’ proposed labour rates for business hours and after hours, respectively.<sup>12</sup>

SA Power Networks did not propose to amend any assumptions to its current 2020–25 cost build-up for its fee-based services prices, as SA Power Networks assessed current prices continue to be cost reflective.<sup>13</sup> For year 1 of the 2025–30 period, SA Power Networks used the AER’s standardised ancillary network services model to escalate its approved 2023–24 fee-based prices to 2025–26 terms using assumed inflation and labour price growth.<sup>14</sup>

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<sup>8</sup> SA Power Networks, *Attachment 15 – Alternative Control Services*, January 2024, pp. 11-12.

<sup>9</sup> SA Power Networks, *Attachment 15 – Alternative Control Services*, January 2024, p. 14.

<sup>10</sup> SA Power Networks, *Attachment 15 – Alternative Control Services*, January 2024, p. 14.

<sup>11</sup> SA Power Networks, *15.1.1 – Standardised ANS Model – January 2024 – Public*.

<sup>12</sup> The labour rates in Table 16.1 are specifically for quoted services, though they are consistent with the labour rates for fee-based services. The difference is that “base” labour rates and on-costs are the explicit labour input for fee-based services, with overheads being calculated at a later stage based on total direct costs (labour, materials and so on).

<sup>13</sup> SA Power Networks, *Attachment 15 – Alternative Control Services*, January 2024, pp. 8-9.

<sup>14</sup> SA Power Networks, *Attachment 15 – Alternative Control Services*, January 2024, p. 9.

SA Power Networks also proposed to continue to apply a 6% margin in its prices for its fee-based and quoted services, consistent with the 2020–25 period.<sup>15</sup>

### **16.1.3 Assessment approach**

The regulatory framework for assessing alternative control services is less prescriptive than for standard control services. That is, there is no requirement to apply the building block model exactly as prescribed in Part C of the National Electricity Rules (NER).

On this basis, our approach involves an assessment of the efficient costs of providing ancillary network services. Labour costs are the major input in the cost build-up of prices for ancillary network services. Therefore, our assessment largely focuses on comparing SA Power Networks' proposed labour rates against maximum total labour rates, which we consider efficient.

Where SA Power Networks' proposed labour rates exceed our maximum efficient labour rates, we apply our maximum efficient labour rates to determine prices. We follow this assessment process for services provided on a fee or quotation basis.

We also consider relevant stakeholder feedback raised throughout the consultation process and benchmark SA Power Networks' proposed ancillary network services prices against its prices for the 2020–25 period and the prices of other distributors.

We seek further information from SA Power Networks to reconcile particular cost drivers and often benchmark these against other distributors.

We will also make further adjustments to SA Power Networks' ancillary network services prices where we consider it appropriate to do so.

### **16.1.4 Reasons for draft decision**

As stated above, we did not accept aspects of SA Power Networks' proposal, namely a number of proposed labour rates, although we consider SA Power Networks' proposal is largely reasonable.

Section 16.1.4.1 discusses the maximum labour rates we consider are appropriate for determining whether SA Power Networks' proposed labour rates are efficient.

Section 16.1.4.2 sets out how we assessed SA Power Networks' proposed fee-based prices and, where appropriate, adjusted them to derive our draft decision prices for 2025–26. This includes substituting our draft decision labour rates (among other draft decision factors), where necessary, following our considerations as set out in section 16.1.4.1.

Section 16.1.4.3 sets out our consideration of other issues raised in submissions.

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<sup>15</sup> SA Power Networks, *Attachment 15 – Alternative Control Services*, January 2024, p. 13.



### 16.1.4.1 Labour rates

For ancillary network services we typically review the key inputs in determining the price for the service. We focus on labour rates as these are the principal input.

Consistent with the 2020–25 period, we continue to categorise SA Power Networks' proposed labour rates into six different categories. This is on the basis that although distributors use different labour categories and descriptions, the types of labour used to deliver ancillary network services broadly fall into the following categories: administration, technical specialists, field workers, engineers, and senior engineers. For South Australia, we also benchmark a sixth category: project manager. This is consistent with our previous distribution determinations for SA Power Networks.<sup>16</sup>

This method is a continuation of Marsden Jacob's previous reports for the AER in relation to labour rates and ancillary network services.<sup>17</sup>

In assessing the reasonableness of the proposed labour rates, we:

- derived salary ranges for our labour categories using South Australian salary data for various electricity distribution-related occupations from the most recent, publicly available Hays Salary Guide (Hays)
- derived the raw hourly rate using the maximum salaries in each of the categories, dividing by number of weeks in a year and hours in a week
- escalated for on-costs (leave, superannuation, workers compensation, payroll tax)
- escalated for overheads – we continue to use a maximum overhead rate of 61%, based on Marsden Jacob's analysis. We note the profit margin allocation is already included within the overall overhead allowance
- escalated for assumed inflation, labour rate escalators (reflecting the wage price index) and an allowance to account for salary stickiness in the Hays data
- added an hourly vehicle cost, where required.

In aggregate, these elements are referred to as the 'maximum reasonable benchmark rate,' which is expressed as an hourly rate.

Compared to our 2020–25 period decision, we have made the following changes to the way we derive our maximum reasonable benchmark rate:

- using a 38-hour week, rather than a 40-hour week, consistent with the latest Hays report.

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<sup>16</sup> See, for example, AER, *Final decision – SA Power Networks distribution determination 2019-24 - Attachment 15 - Alternative control services*, June 2020, p. 9.

<sup>17</sup> Recent reports include: *Marsden Jacob Report – Review of Alternative control services for SA Power Networks Energex and Ergon Energy*, June 2019; *Marsden Jacob Associates – Review of Victorian distributors Alternative Control Services*, June 2020.

- excluding salary data from the ‘Transmission line engineer’ and ‘Generator technician’ occupations from our analysis.
- uplifting the Engineer rate by 20% to obtain the Senior engineer rate.
- using Hays 2022–23 data (instead of the most recent 2024–25 data) for technical specialists and field worker labour categories.
- use of real inflation (CPI) and X factors to convert labour rates and the vehicle allowance to \$2025–26.

#### **Excluding occupations and the uplift for engineers**

In considering labour rate benchmarks in the lead-up to our issues paper, we benchmarked the distributors’ proposed labour rates with the most recent (at the time) labour rates derived from the Hays 2022–23 data. We found that, under our methodology, engineers and senior engineers would have the same hourly rate.

We applied several changes in deriving the raw labour rates. Upon consultation with our internal technical experts, we removed the roles of ‘Transmission line engineer’ (categorised as engineer) and ‘Generator technician’ (technical specialist) from their respective benchmarks as they are not typically employed by distributors.

Further, we consider it is not appropriate to assign occupations to the senior engineer category because senior engineer salaries reflect time in role, not particular occupations. Instead, we applied a 20% uplift from engineer salaries as a reasonable premium for time in role.

#### **Changes to Hays Salary Guide**

In June 2024, Hays released its 2024–25 salary data. Like the Hays 2023–24 Guide, there were some significant changes in its reporting when compared to the Hays 2022–23 Guide, with the report no longer including wage data for the technical specialist and field worker roles. To derive our benchmarks for these labour categories, we instead use the latest data that we have, which is the Hays 2022–23 data.

For the administration, project manager and engineer labour categories, we used the Hays 2024–25 data as the relevant rates are still available.

In addition, we note that the Hays 2024–25 data is based on a 38-hour week.<sup>18</sup> We have therefore derived our maximum reasonable benchmark rates using a 38-hour week as we consider the Hays data captures the conditions of the broad labour pool from which SA Power Networks draws its labour.

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<sup>18</sup> *Hays Salary Guide FY24/25 Australia and New Zealand*, p. 2

### Determining labour rates in \$2025–26

Finally, we applied one or two-year’s worth of real inflation and X factors to convert the 2022–23 and 2024–25 labour rates (respectively, depending on which was applicable) to \$2025–26. To convert \$2022–23 nominal rates into \$2025–26 nominal terms (where relevant), we used actual CPI consistent with the method applied during annual pricing proposals and consistent with our draft decision on control mechanisms.<sup>19</sup> To convert \$2024–25 nominal rates into \$2025–26 nominal terms, we have applied forecast CPI from the Reserve Bank of Australia as a placeholder for this draft decision. We will apply actual CPI consistent with our control mechanism for our final decision.

We also used this approach to escalate the \$20 per hour vehicle allowance in our previous decisions for inflation only (i.e., no X factor) to \$24.57.<sup>20</sup>

To obtain the benchmark after hour rates, we continue to apply 1.75 times the business hourly rate, as recommended by Marsden Jacob.

Using this method, Table 16.1 includes our maximum hourly labour rate for the six labour benchmark categories and SA Power Networks’ proposed prices for business hours. Table 16.2 contains the same information for after hours.

**Table 16.1 AER maximum benchmark and SA Power Networks proposed hourly labour rates for 2025–26 (business hours, including on-costs and overheads, \$2025–26)**

	AER maximum labour rate	SA Power Networks proposed labour rate
Administrative Officer	\$104.10	\$104.31
Project Manager	\$260.24	\$208.68
Field Worker	\$190.25	\$192.82
Technical Specialist	\$226.33	\$208.68
Engineer	\$260.24	\$194.76
Senior Engineer	\$312.29	\$222.58

Source: AER analysis.

<sup>19</sup> AER, *Draft decision - SAPN distribution determination 2025–30 - Attachment 14 - Control mechanisms*, SA Power Networks 2024.

<sup>20</sup> See for example AER, *Draft decision - Ausgrid distribution determination 2024-29 - Attachment 16 - Alternative control services*, September 2023, p. 10; Marsden Jacob Associates, *Review of Victorian distributors Alternative Control Services*, June 2020, p. 24.

**Table 16.2 AER maximum benchmark and SA Power Networks proposed hourly labour rates for 2025–26 (after hours, including on-costs and overheads, \$2025–26)**

	AER maximum labour rate	SA Power Networks proposed labour rate
Administrative Officer	\$182.18	\$177.33
Project Manager	\$455.42	\$354.74
Field Worker	\$332.94	\$309.84
Technical Specialist	\$396.08	\$354.74
Engineer	\$455.42	\$331.09
Senior Engineer	\$546.51	\$378.38

Source: AER analysis.

### Outcomes of our benchmarking

As a result of our benchmarking, we do not accept SA Power Networks' proposed labour rates for the following labour categories and have substituted them with our maximum labour rates:

- Administrative Officer (business hours)
- Field Worker (business hours)

Our draft decision ANS model sets out our draft decision on the labour rates SA Power Networks can utilise in the provision of quoted services.<sup>21</sup>

Section 16.1.4.2 discusses the effect of our draft decision on labour rates on SA Power Networks' prices for fee-based services.

#### 16.1.4.2 Proposed fee-based services and benchmarking

Our draft decision is to not accept SA Power Networks' proposed prices for fee-based services. We consider SA Power Networks' method for deriving proposed 2025–26 prices for its fee-based services reasonable. It results in a similar outcome for SA Power Networks' customers compared to a cost build-up approach and we consider it incorporates the drivers of cost changes for ancillary network services. However, we substitute SA Power Networks' proposed year one (2025–26) prices for fee-based services with our draft decision price caps for 2025–26 to reflect our draft decision CPI and X factors (see section 16.1.4.1).

SA Power Networks stated its cost build-up of its fee-based services in the 2020–25 period remains relevant for the 2025–30 control period. Therefore, SA Power Networks did not

<sup>21</sup> AER, *AER Draft Decision - SAPN - 15.1.1 - Standardised ANS Model - January 2024 – Public*, Table 2 in excel tab 'AER Draft Decision'.

propose any amendments to its underlying inputs to its fee-based services. SA Power Networks proposed to update its currently approved prices to \$2025–26 using assumed inflation and labour price growth.

We did not observe large increases in prices when we compared SA Power Networks' proposed 2025–26 fee-based services prices with the equivalent approved prices for 2024–25. We observe a nominal price increase of 4.73% across SA Power Networks' fee-based services. We consider this is a reasonable outcome as the rates for SA Power Networks' labour categories—the principal input into SA Power Networks' fee-based services—will see the same price increase (see section 16.1.4.1).

We also benchmark the prices of SA Power Networks' most commonly requested fee-based services against similar services provided by other electricity distributors. We found that SA Power Networks' proposed prices for fee-based services, such as disconnection site visits and special meter read services, tended to benchmark well.

Our draft decision ANS model sets out our draft decision prices for SA Power Networks' fee-based services incorporating these adjustments.<sup>22</sup>

### 16.1.4.3 Other issues raised in submissions

#### Submission on SA Power Networks' "Knock before you disconnect" service

We consider SA Power Networks' proposed "Knock before you disconnect" fee is reasonable. We acknowledge the South Australian Council of Social Service's (SACOSS) submission on the potential risks the program will have on customers. However, we consider SA Power Networks has sufficiently demonstrated the value the program provides to retailers and customers.

SACOSS raised concerns about how the "Knock before you disconnect fee" program is funded and the potential flow-on cost impact on households of delivering this program on a fee-basis. The program was designed to avoid disconnections due to non-payment and the resultant impacts on vulnerable households of living without energy supply. SACOSS are concerned the additional cost burden may be placed on these households.<sup>23</sup>

In response to SACOSS' concerns, SA Power Networks stated the "Knock before you disconnect" program has driven better engagement between retailers and customers, resulting in more cancelled requests to disconnect for non-payment. Retailers participating in the program have a higher rate of cancelling disconnection services orders (above 50%) compared to non-participating customers (approximately 30%).<sup>24</sup>

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<sup>22</sup> AER, *AER Draft Decision - SAPN - 15.1.1 - Standardised ANS Model - January 2024 – Public*, Table 3 in excel tab 'AER Draft Decision'.

<sup>23</sup> SACOSS, *Submission to the Australian Energy Regulator on SA Power Networks Electricity Distribution Determination 2025-30: Issues Paper*, May 2024, p. 32.

<sup>24</sup> SA Power Networks, Information request #017, received 05 June 2024, p.2.

SA Power Networks stated there are two types of “Knock before you disconnect” services:

- Retailer initiated service (offered as a fee-based service)
- DNSP initiated service

SA Power Networks stated the fee-based service only applies when the retailer requests SA Power Networks to conduct the service. This service also does not contribute to the cost build-up of the retailer requested disconnection of supply fees to ensure there is no double counting.<sup>25</sup>

With the introduction of smart meters, SA Power Networks also expects a low volume of retailer-initiated requests as retailers have the option to complete the services themselves or engage a third-party provider to perform the service.<sup>26</sup> With the smart meter rollout, retailers will have the option to perform remote disconnection and reconnection services. This will gradually reduce SA Power Networks’ involvement in disconnection and reconnection services throughout the 2025–30 period, therefore reducing the number of retailers requesting knock before you disconnect services.

We consider SA Power Networks’ proposed retailer-initiated knock service reasonable as the service will have relatively low customer impact due to the expected low volume of retailer-initiated requests. As smart meters become more prominent, retailers will be able to facilitate remote disconnections and reconnections and conduct the knock before you disconnect service themselves or through a third party.

SA Power Networks will also bear the cost of the “Knock before you disconnect” service if SA Power Networks initiates the service (DNSP initiated service).<sup>27</sup> SA Power Networks proposed to extend the program to allow 10,000 disconnection pre-visits to houses and small business at risk of disconnection and did not seek additional operating expenditure for this service.<sup>28</sup>

## 16.2 Public lighting

Public lighting services include the provision, construction and maintenance of public lighting assets. This definition includes new technologies such as energy-efficient light emitting diode (LED) luminaires and emerging public lighting technologies such as smart-enabled luminaires.<sup>29</sup>

The main customers of public lighting services are local government councils and jurisdictional main roads departments.

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<sup>25</sup> SA Power Networks, *Attachment 15 – Alternative Control Services*, January 2024, p.12.

<sup>26</sup> SA Power Networks, Information request #017, received 05 June 2024, p.2

<sup>27</sup> SA Power Networks, Information request #017, received 05 June 2024, pp.1-3.

<sup>28</sup> SA Power Networks, Information request #017, received 05 June 2024, pp.2-3.

<sup>29</sup> AER, *Final Framework and Approach: SA Power Networks Regulatory control period commencing 1 July 2025*, July 2023, p. 38.

There are a number of different tariff classes and prices for public lights. The factors influencing prices for a particular installation include which party is responsible for capital provision, and which party is responsible for maintaining and/or replacing installations.

SA Power Networks' prices recover costs of providing public lighting services, including capital expenditure (capex) and operating expenditure (opex) as appropriate.

For the 2025–30 period, SA Power Networks proposed to continue using a building block approach to determine the efficient cost of providing public lighting services.

For opex, important drivers include asset failures rates, spot and bulk maintenance cycles, labour rates and traffic controller assumptions. For capex, the price of materials is the underlying driver. Corporate overheads are also a material driver of public lighting prices.

### 16.2.1 Draft decision

Our draft decision is to not accept SA Power Networks' proposed prices for public lighting services although we consider SA Power Networks' public lighting proposal is largely reasonable. We updated SA Power Networks' proposal to apply our draft decision on labour escalators, weighted average cost of capital (WACC) and consumer price index (CPI) for consistency with other aspects of our draft decision on SA Power Networks' regulatory proposal (see section 16.2.4.1). We entered these substitute inputs into the public lighting models, resulting in minor adjustments to SA Power Networks' proposed prices for public lighting services.

Our draft decision on public lighting prices for 2025–26 and X factors are set out in the draft decision public lighting model.<sup>30</sup> The X factors are used to adjust prices annually for years 2 to 5 of the 2025-30 period. The prices for 2025-26 are on average 0.18% lower than SA Power Networks' proposed HID prices and 0.05% lower than SA Power Networks' proposed LED prices. For subsequent years, the X factor has been set at 0% and prices are updated by CPI following the control mechanism formula.<sup>31</sup>

### 16.2.2 SA Power Networks Proposal

The suite of tariffs SA Power Networks proposed is unchanged from the 2020–25 period and include:<sup>32</sup>

- SA Power Networks or Street Light Use of System (SLUOS)—SA Power Networks fund the public lighting installations and provide a full maintenance service.

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<sup>30</sup> AER, *AER Draft Decision – SAPN – 15.2.1 – Public Lighting Pricing Model – January 2024 – Public*, Tables 1 and 2 under excel tabs 'AER Draft Decision – HID' and 'AER Draft Decision – LED'

<sup>31</sup> SA Power Networks, *2025-30 Regulatory Proposal, Attachment 15 Alternative Control Services*, January 2024, p. 27.

<sup>32</sup> SA Power Networks, *2025-30 Regulatory Proposal, Attachment 15 Alternative Control Services*, January 2024, pp. 21-22.

- Transferred Infrastructure (TFI)—customers or developers fund the public lighting installations and gift them to SA Power Networks, who then assumes full maintenance responsibility, including future replacement.
- Energy Only (EO)—customers fund the public lighting installations and are responsible for maintenance and replacement. SA Power Networks’ responsibility is administrative only.
- Customer Light Equipment Rate (CLER)—customers fund the public lighting installations, with SA Power Networks maintaining minor components (e.g. lamps). The customer is responsible for future replacements.
- Public Light Customer (PLC)—SA Power Networks undertakes routine maintenance of public lighting installations and is responsible for replacing public lighting infrastructure (columns). The customer retains financial ownership and is responsible for replacing the luminaire.

Proposed price outcomes will vary for each customer based on the specific services selected and type of lights installed. On average SA Power Networks forecast price reductions of 20.3% for high intensity discharge (HID) lights from 1 July 2025, with price increases of 1.2% forecast for LEDs largely due to increases in the weighted average cost of capital and inflation.<sup>33</sup> The reduction in HID prices reflects the fact there will be no bulk or spot replacement program for these lights as they are instead transitioned to LEDs.<sup>34</sup>

As at July 2023, about 138,000 (58%) public lights have been upgraded to LEDs.<sup>35</sup> SA Power Networks expects 1,800 public lighting installations per annum, with these installations expected to be LED (including replacement of HID lights until the entire light population is LEDs).<sup>36</sup>

SA Power Networks consulted with public lighting customers through Focused Conversation workshops to help inform their 2025–30 regulatory proposal.<sup>37</sup> SA Power Networks also worked with their Public Lighting Working Group<sup>38</sup> (PLWG). Public lighting customers told SA

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<sup>33</sup> SA Power Networks, *2025-30 Regulatory Proposal Overview*, January 2024, p. 95.

<sup>34</sup> SA Power Networks, *2025-30 Regulatory Proposal, Attachment 15 Alternative Control Services*, January 2024, p. 26.

<sup>35</sup> SA Power Networks, *2025-30 Regulatory Proposal, Attachment 15 Alternative Control Services*, January 2024, p. 15.

<sup>36</sup> SA Power Networks, *2025-30 Regulatory Proposal, Attachment 15 Alternative Control Services*, January 2024, p. 22.

<sup>37</sup> Held in October 2022 and May 2023.

<sup>38</sup> In collaboration with the Local Government Association of South Australia, SAPN established a Public Lighting Working Group (PLWG) in 2018. This PLWG was established as a representative body to facilitate a practical ongoing consultation with SAPN and the transition to the new regulatory framework from 1 July 2020.



Power Networks they wanted the following changes to service levels, which SA Power Networks stated they adopted in their proposal:<sup>39</sup>

- replace public lighting columns with an ‘extreme’ condition rating, with all other columns continuing to be inspected every five years in high corrosion zones and every 10 years in low corrosion zones;<sup>40</sup>
- introduce a simple and complex classification of faults recognising that some faults require longer lead times for repair. Public lighting customers supported repairing simple faults within five business days and complex faults within 30 business days;
- discontinue the bulk lamp replacement program for HID lights given their obsolete technology; and
- introduce smart lighting on a council-by-council basis as a quoted service.<sup>41</sup>

### 16.2.3 Assessment approach

To determine prices for SA Power Networks’ public lighting services we assessed its public lighting model, considered historical data and benchmarked proposed costs against other distributors and against independent data and information as relevant. Specifically, we assessed proposed labour price growth rates, other input assumptions and stakeholder submissions.

We updated model parameters where appropriate after taking the factors described above into consideration.

### 16.2.4 Reasons for draft decision

Overall, we consider SA Power Networks’ public lighting proposal is largely reasonable.

As we noted in section 16.2.2, SA Power Networks forecast average price reductions of 20.3% for HID lights for the first year of the 2025–30 period, with average price increases of 1.2% forecast for LEDs. We consider SA Power Networks’ proposed prices represent a good outcome for public lighting customers.

We consider SA Power Networks worked collaboratively with their PLWG on key matters impacting the delivery of public lighting services in South Australia. Public lighting customers informed SA Power Networks of the changes they were seeking to service levels (as outlined above in 16.2.2). In particular the requested changes relate to improvements for column inspections, fault repairs, transition to LED lights and the introduction of smart lighting, which SA Power Networks adopted in their proposal.

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<sup>39</sup> SA Power Networks, *2025-30 Regulatory Proposal Overview*, January 2024, p. 95.

<sup>40</sup> SA Power Networks currently replaces columns with ‘extreme’ and ‘very high’ condition ratings.

<sup>41</sup> SA Power Networks, *2025-30 Regulatory Proposal Overview*, January 2024, p. 95.

We consider the transition to LED fittings and the introduction of smart lighting as a quoted service will enable SA Power Networks—and ultimately public lighting customers—to realise savings in public light services. LED fittings do not require a replacement ‘globe’ over their twenty-year life, allowing SA Power Networks to maintain light fittings on a ten year instead of a four yearly cycle.

The PLWG provided a submission in support of SA Power Networks’ proposal.<sup>42</sup> Mount Barker City Council provided a submission supporting the adoption of LED and smart lighting technology.<sup>43</sup>

#### **16.2.4.1 Labour escalators, WACC and CPI**

We have amended the following inputs into SA Power Networks’ public lighting model. These amendments are consistent with our draft decision on other relevant aspects of SA Power Networks’ regulatory proposal.

##### **Labour Escalators**

We substituted in the Labour Escalators in SA Power Networks’ public lighting model to be consistent with our draft decision on SA Power Networks’ opex (see attachment 6).

##### **Rate of return**

We substituted the WACC inputs in SA Power Networks’ public lighting model to be consistent with our draft decision on SA Power Networks’ rate of return (see attachment 3).

##### **Inflation**

We have substituted the forecast inflation input for the 2025–26 year in SA Power Networks’ public lighting model with placeholder values in this draft decision. We will update this for actual inflation in our final decision consistent with our final decision on SA Power Networks’ control mechanisms.

#### **16.2.4.2 Introducing new services during a regulatory control period**

Our draft decision is that SA Power Networks must price any new public lighting services it introduces during the 2025–30 period according to the control mechanism for quoted services. SA Power Networks should only introduce new services because customers want them (customer driven). In proposing new services, we require that SA Power Networks demonstrates customer support for such prices and services. This applies to SA Power Networks’ proposal to introduce smart lighting as a quoted service for the 2025–30 period.

We consider this is consistent with our previous distribution determinations. We stated new alternative control services introduced during a regulatory control period with characteristics that are the same or essentially the same as other alternative control services should be

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<sup>42</sup> PLWG, *Submission re SAPN’s 2025-30 Regulatory Proposal*, May 2024.

<sup>43</sup> Mount Barker City Council, *SAPN’s Regulatory Proposal 2025-30*, May 2024.

priced as a quoted service until the next regulatory control period (see attachment 14 section 14.5.3).

It is worth considering that quoted services generally apply to one-off services. The control mechanism poses no administrative issues where, for example, a council agrees to pay for the installation of new technologies up-front.

However, some councils may prefer to pay for new technologies over their economic or useful life. We consider this is possible under the control mechanism for quoted services.

This could involve determining the up-front costs based on the control mechanism formula as a first step. The distributor would then calculate an annual fee using a method appropriate to the service. We consider a building block approach using SA Power Networks' public lighting model is reasonable for this purpose.

Further information about quoted services and introducing new prices within the 2025–30 period is set out in see attachment 14 section 14.5.3.

## Shortened forms

Term	Definition
ACS	alternative control services
AER	Australian Energy Regulator
CCP	Consumer Challenge Panel
CCP 14	Consumer Challenge Panel, sub-panel 14
CPI	consumer price index
Distributor	distribution network service provider
F&A	framework and approach
LED	Light Emitting Diode
NEL	national electricity law
NEM	national electricity market
NER or the rules	national electricity rules
Opex	operating expenditure
PTRM	post-tax revenue model
RAB	regulatory asset base
RIN	regulatory information notice
SCS	standard control services
WACC	weighted average cost of capital