

9 October 2024

Ms. Stephanie Jolly  
Executive General Manager  
Australian Energy Regulator  
PO Box 12241  
George Street Post Shop  
BRISBANE QLD 4003

Email: [RITguidelines@aer.gov.au](mailto:RITguidelines@aer.gov.au)

Dear Ms. Jolly,

**Re: AER RIT and APR cost threshold review – Draft Determination, September 2024**

ElectraNet, operating as a transmission network service provider (TNSP) in South Australia, welcomes the opportunity to comment on the Australian Energy Regulator's (AER) RIT and APR cost threshold review – Draft Determination, September 2024.

ElectraNet supports the AER's draft determination approach in seeking a more representative escalation methodology than the escalators used historically. We also support the acknowledgment that the increase in construction input costs have risen faster than economy-wide indicators.

Of the indices reviewed in the draft determination, ElectraNet supports the adoption of PPI<sub>construction</sub> as this is the index which is most in line with the change in ElectraNet's project costs over the last three years. ElectraNet notes that this only results in an increase of \$1m to one item relevant to transmission;

- *The threshold under NER cl. 5.15.3(b)(5) for the proposed preferred option's capital costs, under which a RIT-T proponent can skip the 'project assessment draft report' consultation step.*

ElectraNet would encourage the AER to continue to review these thresholds, not just to cover the review period each three years, but since the advent of the RIT. ElectraNet notes that there are some costs that have risen significantly since the RIT was introduced which have not since been reflected in the relevant thresholds.

In support of this suggestion for larger, wholesale review of the RIT thresholds, ElectraNet have prepared analysis on internal and external (contracted) labour rates since 2009 and 2011 respectively. This analysis shows that, on a simple average basis, internal labour rates have risen by 115% whilst external labour rates have risen by 70-100%. In comparison, as of this latest draft determination, the threshold at which the RIT is required has only increased by 60% over the same time period.

We note that labour rates are only a single aspect of the costs that make up a RIT project, but consider this an indicator of the type of increases experienced in costs that have not been reflected in the threshold reviews.

Due to the potential impact on ElectraNet's ability to obtain competitive pricing from our contractors we would request the AER to maintain the confidentiality of this analysis. We consider that there would be no public interest in publishing this information.

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Should the AER wish any additional information or to would like to discuss any aspect of this this letter, please contact [REDACTED]

Yours sincerely

[REDACTED]

**Head of Regulation and Corporate Affairs**

1. ENC      ElectraNet internal and external labour rates analysis - CONFIDENTIAL

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