

29 October 2024

Ms C Preston  
Australian Energy Regulator  
Level 38, 360 Elizabeth Street  
MELBOURNE 3000 VIC

Email: [REDACTED]

Dear Ms Preston

## **Draft 2024 Annual Benchmarking Report**

SA Power Networks welcomes the opportunity to comment on the Australian Energy Regulator's (AER's) draft Annual Benchmarking Report, as emailed to Distribution Network Service Providers (DNSPs) on 15 October 2024.

The AER's draft Annual Benchmarking Report provides a high-level summary of the primary drivers for the large increase in SA Power Networks opex for the 2022/23 period. We note the draft report has conflated the storm and flood events that occurred over the period, indicating the increased opex was driven mainly by emergency response expenditure and Guaranteed Service Level (GSL) payments associated with the large flood event in November 2022<sup>1</sup>. We had two significant weather events resulting in increased opex over the 2022/23 period, significant storms in November 2022 and the River Murray flood event which ran from November 2022 to February 2023. The GSL payments related to the storm events, no GSL payments were applicable for the River Murray flood event as these were excluded from the GSL scheme under the state emergency declaration. We suggest, for clarity, the AER update the text within the Annual Benchmarking Report to reflect the two distinct weather-related events.

We also provide the following comments on the AER's proposed benchmarking development.

### **Lease and Software as a Service Costs**

We note the AER is currently processing adjustments on an individual DNSP basis to account for the different accounting treatment of lease and non-recurrent Software as a Service (SaaS) costs within DNSPs regulatory accounts. These adjustments are expected to continue until all DNSPs have transitioned onto the current accounting standards.

SA Power Networks is supportive of this approach in the short term. We support the continued removal of non-recurrent SaaS (implementation) costs from benchmarking data in the long term, noting the amount of implementation costs will vary year on year depending on the scope of the SaaS system being implemented, the amount of data to be converted to the new system and staff training that may be required. SA Power Networks is concerned inclusion of these non-recurrent costs, where material, in our

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<sup>1</sup> Refer to the Executive summary (page v) and section 4.2.2 Opex was the main driver of productivity changes in 2023 (page 26).

benchmarking performance will distort relative comparability and opex efficiency assessments of DNSPs across the NEM.

### **Guaranteed Service Level payments and Emergency Response expenditure**

We note the AER, as part of its ongoing areas for incremental improvement, will continue to make data refinements in response to its annual review of economic benchmarking RIN data and data issues identified by stakeholders. While this is expected to include the ongoing treatment of lease and SaaS implementation costs, the draft report also mentions GSL payments and inconsistencies related to emergency response.

SA Power Networks supports a review of GSL and emergency response arrangements and the impact this may be having on benchmarking. Reliability service standards and associated GSL payments are set jurisdictionally, where these standards may vary significantly between jurisdictions.

The GSL scheme in South Australia was updated at the commencement of the 2020-25 regulatory period, to better target customers with ongoing, persistent reliability issues. While this has reduced the volatility in SA Power Networks GSL payments, the value of GSL payments may still be high in years with significant storm activity. The November 2022 storm (as mentioned above) contributed to a significant increase in reliability duration GSL payments for 2022-23 with more than 91,000 payments made, with the total costs exceeding \$14.6m. GSL payments in conjunction with emergency response expenditure can have a significant impact on reported opex during a regulatory year, where a large portion of these costs are outside of the DNSPs control. South Australia is the only jurisdiction with an uncapped liability for GSL payments on major event days.

We encourage the AER to consider the impact of GSLs and emergency response on benchmarking results.

### **Export Services**

In March 2023, the AER released its final report on incentivising and measuring export service performance, committing to a full review of export service impacts on benchmarking by 2027, or earlier if better export services data becomes available. We fully support the AER's collection of export services data and encourage the AER to undertake this review as soon as adequate data is available.

The benchmarking methodology needs to be updated to reflect the inputs and outputs associated with enabling Consumer Energy Resources (CER), which are now expected services from customers.

Please contact Debbie Voltz on [REDACTED] if you require any further information or clarification of the above.

Yours sincerely

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