



# Connection Policy – Amendment to payment terms threshold

## 2025-30 Revised Regulatory Proposal

December 2024

Supporting document 17.1

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## Glossary

| <b>Acronym / term</b> | <b>Definition</b>                                |
|-----------------------|--|
| <b>ACS</b>            | Alternative Control Services                     |
| <b>AER</b>            | Australian Energy Regulator                      |
| <b>AUGEX</b>          | Augmentation expenditure                         |
| <b>CAG</b>            | Connections Advisory Group                       |
| <b>Capex</b>          | Capital expenditure                              |
| <b>CBD</b>            | Central Business District                        |
| <b>CPI</b>            | Consumer Price Index                             |
| <b>EDC</b>            | Electricity Distribution Code of South Australia |
| <b>EWOSA</b>          | Energy and Water Ombudsman South Australia       |
| <b>LCTAS</b>          | Least cost technically acceptable service        |
| <b>LV</b>             | Low Voltage                                      |
| <b>MSO</b>            | Model Standing Offer                             |
| <b>NER</b>            | National Electricity Rules                       |
| <b>NPV</b>            | Net Present Value                                |
| <b>Opex</b>           | Operating expenditure                            |
| <b>RCP</b>            | Regulatory Control Period                        |
| <b>SCS</b>            | Standard Control Services                        |

# **1 About this document**

## **1.1 Purpose**

This document provides support for SA Power Networks' proposed amendment to the payment terms threshold for basic connection services specified in our Connection Policy for the 2025-30 regulatory control period (**RCP**).

## **1.2 Expenditure category**

This amendment does not impact on our forecast expenditure for the 2025-30 RCP.

## **1.3 Related documents**

This document should be read in conjunction with the Revised Proposal Attachment 17 – Connection Policy.

## 2 Executive Summary

SA Power Networks' Connection Policy for the 2025-30 RCP was prepared in accordance with the requirements in Chapters 5A and 6 of the National Electricity Rules (**NER**) and the Australian Energy Regulator's (**AER's**) Connection charge guidelines for electricity customers<sup>1</sup>. The Connection Policy for 2025-30 was submitted to the AER with our Regulatory Proposal (**Original Proposal**) in January 2024.

Our Connection Policy was updated to reflect the nature of more complex and flexible loads and generation (particularly large battery energy storage systems) and updates included:

- Lower upfront costs for customers selecting a flexible option where applicable.
- A firm capacity option for load customers where capacity is reserved for the customer (including in demand and constraint forecasting) but not guaranteed under certain network operational scenarios.
- A 'Flex' option for certain types of customers where the customer has agreed to dynamically adjust their import or export power profile to operate within network operating limits and therefore may not be charged an augmentation cost.
- A 'Load plus Generation' pricing option to ensure there is no double counting for those customers choosing a load and generation connection (such as Battery Energy Storage Systems, Load and solar combinations).

In its Draft Decision the AER approved our Connection Policy as it complied with the NER and is consistent with the connection charge principles and the AER's Connection charge guideline.

In our Revised Regulatory Proposal (**Revised Proposal**) for the 2025-30 RCP, we are proposing a minor drafting amendment to the payment terms threshold specified in the Connection Policy. This amendment affects basic connection services below \$10,000 (June 2025).

## 3 Overview of connection services

SA Power Networks operates the South Australian electricity distribution network. We build, maintain and upgrade the poles, wires and substations that deliver power to more than 900,000 homes and businesses across the state. The network services we provide to customers include establishing new connections at a customer's premises and altering existing connections.

SA Power Networks has prepared a Connection Policy that sets out the circumstances in which connection charges are payable for establishing new connections or making connection alterations and the basis for determining such charges for the 2025-30 RCP<sup>2</sup>.

The connections to which the Connection Policy applies, range from basic connections (requiring minimal or no augmentation of the distribution network) for residential customers, through to negotiated large commercial connections, real estate developments and embedded generation connections.




There are three distinct types of connection services offered by SA Power Networks, basic, negotiated and enhanced as summarised in Table 1.

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<sup>1</sup> AER Connection charge guidelines for electricity customers, Under Chapter 5A of the National Electricity Rules, Final Version 3.0 published in April 2023.

<sup>2</sup> The policy has been prepared in accordance with the requirements in Chapters 5A and 6 of the National Electricity Rules (Rules) and the Australian Energy Regulator's (AER's) Connection charge guidelines for electricity retail customers, under Chapter 5A of the National Electricity Rules, version 3 (AER connection charge guidelines for electricity retail customers).

Table 1: Connection Services

| Connection Services   |   |   |                                   |
|---|---|---|-----------------------------------|
| Connection type   | Description   | AER Service classification  | Contract type                     |
| <b>Basic connection service</b><br>      | <p>Connection services we provide on a routine basis and generally at a fixed fee to residential, small commercial and small embedded generator customers. There may be certain limited circumstances where a static zero limit may apply to export services. Refer to section 2.4.</p>   | <b>Standard Control Service (SCS)</b>   | <b>Model Standing Offer (MSO)</b> |
| <b>Negotiated connection service</b><br> | <p>More complex than a basic connection and more likely to require us to augment or extend our network. These services are generally for business, real estate developers and embedded generation customers.</p> <p>These can be load or export connections or a combination of both. Additionally, these connections are offered as firm load capacity and or flexible load, and or flexible export capacity arrangements.</p> | <b>Alternative Control Services (ACS) – Premises connections</b><br><br><b>Standard Control Services (SCS) + customer contribution</b><br>Extension, network augmentation | <b>Negotiated Offer</b>           |
| <b>Enhanced connection service</b><br> | <p>Connection services above the least cost technically acceptable service (<b>LCTAS</b>), at the request of customers.</p> <p>Customers are required to make a capital contribution for work that is additional to the LCTAS.</p>  | <b>Alternative Control Service ACS – component more than LCTAS</b><br><b>SCS – extension and augmentation up to LCTAS.</b>  | <b>Negotiated Offer</b>           |

Further information on connection contracts and the process by which they are entered, is set out on SA Power Networks' website at [www.sapowernetworks.com.au](http://www.sapowernetworks.com.au).

## 4 Proposed amendment to the payment terms

In this Revised Proposal, SA Power Networks has proposed a change to the upfront payment terms threshold in our Connection Policy.

This change will result in all projects with a total customer contribution of less than \$10,000 (June 2025), receiving a single invoice after the customer's acceptance of a connection offer. This represents an increase of \$3,000 in the upfront payment terms threshold<sup>3</sup>, compared to that specified in the AER's Connection charge guidelines<sup>4</sup>. The proposed increase in the threshold aligns the scope of present-day basic connection services projects to those originally below \$5,000, when the guideline was first introduced in 2012. This

<sup>3</sup> The upfront payment terms threshold relates to the dollar amount that defines whether a customer receives a single invoice on their acceptance of a customer offer, or staged invoicing with the initial payment due on acceptance and the final payment due prior to construction commencing.

<sup>4</sup> The AER Connection charge guidelines for electricity customers (October 2024), page 26, specifies \$5,000 (\$, real 2012) which is equivalent to circa \$7,000 (\$, real 2025).

amendment reduces the requirement for producing two or more invoices for minor connection projects with short construction timeframes<sup>5</sup>.

Our Customer Solutions Group recently provided feedback that staged invoicing for “high volume, low cost” basic connection services (i.e. below \$10,000), was inefficient and in some cases, it led to a poor customer experience as invoices were issued consecutively over a short timeframe.

We also note:

- The dollar terms are not clearly specified in our Connections Policy. To date we have been applying the \$5,000 ‘nominal’ threshold that was set in 2012; and
- The cost of basic connection services has increased above the Consumer Price Index (CPI) (largely due to the cost of materials). Typical customer payments for these basic connections now exceed the \$5,000 payment terms threshold specified in our Connection Policy. Many customers now receive two invoices for the same service, where in the past they may have received a single invoice for the same work.

We consulted with our Connections Advisory Group (CAG) on the payment threshold, explaining the current invoicing process and the proposed change to the payment terms threshold, that we believe will improve our customer’s experience.

It was noted multiple parties are involved in coordinating and establishing new connections (customers, SA Power Networks, customers’ electrical contractor’s retailers, metering coordinators, meter providers, electrical contractors). Inefficiencies, rescheduling of works, additional customer costs and widespread frustration can result if customer payments are not received on time. The CAG commented that ‘timely payment of invoices was a common problem across the industry’. Reducing multiple invoicing will contribute to reduced customer and industry confusion, reducing payment delays and help streamline the end-to-end connections process. The CAG strongly supported our proposal to increase the payment threshold to \$10,000 (June 2025)<sup>6</sup>.

The Connection Policy currently specifies the following:

- a) Customer contribution – **\$5,000** or less

Where the connection charges payable by a connection applicant are **\$5,000** or less, including for basic connection services provided under a model standing offer, then SA Power Networks may, at its discretion, require the connection applicant to pay the connection charges on the connection applicant’s acceptance of SA Power Networks’ offer to provide connection services.

- b) Customer contribution – greater than **\$5,000**

Where the connection charges payable by a connection applicant are greater than **\$5,000**, SA Power Networks will include a payment schedule in the offer letter indicating the amount and the due date for payments.

In our Revised Proposal, we are proposing to amend the Connection Policy to the following:

- a) Customer contribution – **\$10,000 (June 2025)**<sup>7</sup> or less

Where the connection charges payable by a connection applicant are **\$10,000 (June 2025)** or less, including for basic connection services provided under a model standing offer, then SA Power

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<sup>5</sup> On average, based on recent historical connection works, the increase in threshold will affect approximately 130 basic service connections per annum based on our current practice applying a \$5,000 ‘nominal’ threshold. For many of these projects, construction typically commences 3 to 4 months after customer acceptance. Noting invoices have a 30-day payment term, this can often lead to a customer receiving a second invoice for payment only a few weeks after paying the first invoice.

<sup>6</sup> Connections Advisory Group 10 October 2024 meeting.

<sup>7</sup> The threshold will be indexed annually on 1 July for the movement in the CPI.

Networks may require the connection applicant to pay the connection charges on the connection applicant's acceptance of SA Power Networks' offer to provide connection services.

b) **Customer contribution – greater than \$10,000 (June 2025)**

Where the connection charges payable by a connection applicant are greater than **\$10,000 (June 2025)**, SA Power Networks will include a payment schedule in the offer letter indicating the amount and the due date for payments.

We note that increasing the single payment threshold allows SA Power Networks the option to issue a single invoice for projects with customer contributions up to \$10,000, however, should a customer request a staged invoice, SA Power Networks may do so at its discretion.

We have provided a marked-up version of the Connection Policy with the above changes, refer to **Attachment 17 – Connection policy**.