

---

Advice to the AER regarding the Draft Decision and  
Revised Proposal 2025-30

SA Power Networks

---

**AER Consumer Challenge Panel (CCP) Sub-Panel CCP30**

Mark Henley

Mike Swanston

January 2025

**Acknowledgement of Country**

We acknowledge the Traditional Custodians of the various lands on which the AER operates, and where SA Power Networks own and operate their networks and facilities. We honour the customs and traditions and special relationship of those Traditional Custodians with the land as well as those where this report is being prepared. We respect the elders of these nations, past, present and emerging.

**Confidentiality**

To the best of our knowledge this report does not present any confidential information.

# Contents

<b>About CCP30</b> .....	<b>i</b>
<b>Glossary</b> .....	<b>ii</b>
<b>1. Executive Summary</b> .....	<b>iv</b>
<b>2. Context</b> .....	<b>1</b>
<b>3. Lead up to the Revised Proposal</b> .....	<b>4</b>
<b>4. Revised Proposal in more detail</b> .....	<b>9</b>
4.1 Customer Engagement.....	9
4.2 Capital Investment (Capex).....	15
4.3 Operating Costs.....	18
4.4 Innovation Fund .....	19
4.5 Incentive Schemes .....	20
4.6 Tariffs and Pricing.....	21
<b>5. CCP Overview of SAPN RP</b> .....	<b>22</b>

## About CCP30

The Australian Energy Regulator (AER) engages informed customer advocates to their Consumer Challenge Panel (CCP).

CCP members are in turn appointed to sub-panels which will provide advice to the AER on specific network proposals, particularly to provide advice as to whether the proposals are in the long-term interests of consumers.

CCP30 is the subpanel assigned to the regulatory determination for Energy Queensland (Energex and Ergon Energy) and South Australian power Networks (SAPN) distribution businesses for 2025-30, to comment on the effectiveness of network businesses' engagement activities with their customers and how this is reflected in the development of the proposals.

The roles of the CCP support the delivery of its objective and include:

1. monitoring, assessing and where appropriate, informing how Network Service Providers are conducting their consumer engagement activities ('observe and inform')
2. assessing network proposals and provide assurance on the effectiveness of engagement and whether consumer views have been appropriately reflected ('assurance')
3. providing advice on consumer perspectives on issues related to network determinations and to challenge the AER to ensure that consumer views have been fully accounted for in decisions ('challenge')

### Early Signals Pathway and CCP30

For SAPN, CCP30 has worked with the Early Signals Pathway (ESP) to which SAPN was accepted for its 2025-30 revenue proposal. This being an option identified in the "Better Resets Handbook - Towards consumer-centric network proposals"<sup>1</sup> (the Handbook) released On 9<sup>th</sup> December 2021. We note that CCP30 was also appointed to observe the Energy Queensland network businesses, Ergon and Energex who's regulatory timeframe is parallel to the timing for SAPN. Neither Queensland business sought to be on the Early Signal's Pathway, though the Better resets Handbook expectations still applied.

In considering SAPN's regulatory proposal development, under the ESP process CCP30 has provided 4 reports to the AER, as listed below while our 5<sup>th</sup> report, responding to the original proposal and the AER's Issues paper is a standard response that applies irrespective of the ESP process. The Preliminary and Progress reports being particularly focussed on supporting early discussion with SAPN about emerging issues and the engagement process:

<u>Preliminary report</u>	– May 2023	}
<u>Progress report</u>	– September 2024	} All before SAPN's lodgement of regulatory proposal
<u>Conclusions report</u>	– November 2023	}
<u>Assurance report</u>	- February 2024	Consideration of engagement re regulatory proposal
<u>Issues Paper response</u>	– April 2024	Response to Regulatory Proposal & AER's issues Paper

Each of these reports provide background and detail to observations provided in this submission.

---

<sup>1</sup> [Better resets handbook | Australian Energy Regulator \(AER\)](#)

## Glossary

ACCC	Australian Competition and Consumer Commission
ACS	Alternative Control Services - activities by the utility that are 'fee for service'
AER	Australian Energy Regulator
AMI	Advanced metering infrastructure
Better Resets Handbook	A guide issued by the AER that outlines expectations for engagement
CAB	Consumer Advisory Board (SAPN – to 2024)
CAF	Consumer Advisory Forum (SAPN – from 2024)
CAPEX	Capital expenditure
CCP	Consumer Challenge Panel
CESS	Capital Efficiency Sharing Scheme
CSIS	Customer Service Incentive Scheme
Demand	Instantaneous power use
DNSPs	Distribution Network Service Providers (electricity distributors)
Draft Decision	The AER's response to the Regulatory Proposal in September 2024
EBSS	Efficiency Benefit Sharing Scheme
ENA	Energy Networks Australia
Ergon	The electricity distributor in South-east Queensland
EQL	Energy Queensland Limited, the holding company of Energex and Ergon Energy.
Ergon Energy Network	The electricity distributor for the areas of Queensland outside the SE corner ('Ergon')
Ergon Energy	The electricity retailer to the majority of electricity customers outside the SE corner
Ergon	For the purposes of this advice, is shorthand for Ergon Energy Network
ESP	Early Signals Pathway (See Handbook)
Final Decision	The AER's final decision on the allowable revenue and tariff structure
GSL	Guaranteed Service Level scheme
HV	High voltage
IAP2	International Association for Public Participation
ICT	Information and Communication Technology
LV	Low voltage, typically in reference to local distribution power lines
MTFP	Multilateral Total Factor Productivity
NEO	National Electricity Objective
NIC	Network Innovation Centre (SAPN)

OPEX	Operating expenditure
Proposal	The Regulatory Proposal submitted to the AER in January 2024
PTRM	Post Tax Revenue Model, which brings together the revenue building blocks
QEJP	Queensland Energy and Jobs Plan
Revised Proposal	The revised regulatory proposal submitted to the AER by Ergon in November 2024
RRG	Reset Reference Group - panel of consumer energy reset experts appointed by EQL
SAIDI	System Average Interruption Duration Index
SAPN	South Australia Power Networks, the electricity distributor in South Australia.
SCS	Standard Control Service (i.e. included in the allowable revenue cap)
STPIS	Service Target Incentive Scheme
ToU	Time-of-use (tariffs)

## 1. Executive Summary

Cost of living impacts have continued to be a major context for SAPN's regulatory proposal, from early engagement right through to the final decision. Even a 'modest' increase in electricity costs, particularly for people in the bottom half of the income distribution, bite hard on household budgets

A comprehensive engagement process was developed and implemented by SAPN in preparation for their Regulatory Proposal for 2025-30. The process was commenced early with a "People's Panel" using a citizen's jury methodology and the centrepiece of engagement with SAPN committing to apply the advice from the People's Panel to the fullest extent possible – an approach nearing "Empowerment" on the IAP2 Spectrum of Public Participation<sup>2</sup>.

### Draft Decision

The draft decision and subsequent predetermination conference left a relatively small set of topics for further development or explanation in the Revised Proposal (RP), these being summarised as:

- Affordability
- Forecasts
- Capex (particularly repex and augex,)
- Innovation fund,
- reliability performance and
- EV charging as part of the TSS.

### Revised Proposal (RP)

SAPN undertook an active program of engagement over October and November 2024 in response to these matters. Much of the engagement we observed was at the IAP2 spectrum "inform" level, to 'close the loop' with stakeholders who had been engaged in developing the initial proposal. The Innovation Fund was the exception to this approach, with significant 'Involve' to 'collaborate' level engagement to effectively revamp this proposal.

The RP is similar to the original proposal, with Revised Proposal (RP) revenue seeking \$5,168 million, an increase of \$4m on the original proposal, and \$25m more than the AER's draft decision. The proposed opex was increased by \$53m on the original proposal and capex decreased by \$41m.

CCP30 observes that there remain some awkward tensions in and aligned with the RP – simmering rather than erupting:

- Substantial engagement but no clear agreements on some topics;
- SAPN listened carefully, but with limited capacity for the engagement to influence large parts of the proposal;
- SAPN has provided substantial 'bottom up' justification for a number of projects, particularly capex related, but less focus on the net, 'top down' impacts of the aggregated projects and spending on customers bills;
- Affordability concerns were constantly highlighted, with SAPN genuinely concerned about affordability impacts on people, while returns to the business remain well above regulated revenue;

---

<sup>2</sup> <https://iap2.org.au/resources/spectrum/>

- Affordability concerns were constantly highlighted with opportunities for lower bills not fully taken, including the SA solar Feed-in Tariff (FIT) which ends in 2028 and substantial depreciation coming from the asset base;
- Regular mentions of reliability risk from SAPN while general reliability improves;
- Increases in capex and opex sought while network utilisation and total factor productivity are both falling; and
- Increases in capex and opex sought against a history of underspend and claiming CESS and EBSS efficiency dividends.

We ask what a 'reasonableness test' for SAPN's RP would yield? CCP30 opines that the Revised Proposal is not unreasonable but could have been more 'reasonable', particularly for households and small businesses that are really struggling to reign in rising costs, including for energy.

CCP30 also asks: if the consumers, advocates and stakeholders involved in the regulatory engagement process were asked whether the SAPN Revised Proposal was "capable of support" what would their answer be? We suggest that many of the responses would be a muted "yeah – suppose so."

There would be clearer recognition that a comprehensive and exhaustive engagement process has been undertaken and that the diversity of views expressed have been heard, though some voices would likely say that there has been limited response to matters that they have raised.

CCP30 observes that this in part reflects the complexity of the regulatory process and the substantial uncertainty of the energy transition and future arrangements.

We think it also appropriate to recognise the massive amount of time, energy and goodwill that has been contributed to the process over at least three years by people representing the perspectives of consumers and stakeholders, by SAPN staff and by AER staff, all seeking a better outcome for consumers, from different standpoints.



## 2. Context

### Context

This response to the SAPN Revised Proposal (RP) and AER Draft Determination (DD) is prepared by the AER's Consumer Challenge Panel (CCP) subpanel 30 (CCP30) and offers our observations and views on SAPN's engagement, mainly since the release of the Draft Determination and proffers some observations on the salient issues arising from the DD and SAPN's RP, that was lodged with the AER in December 2024.

By way of recap, SAPN began their planning for the 2025 – 30 regulatory period as a world leader in integrating renewable energy and as one of the older distribution networks in Australia – an observation that they have been making over recent regulatory processes.

At the same time, there is a growing public appetite for a transition to a net zero energy future which already includes high levels of CER (consumer energy resources) in SA. Coupled with this trend is the move toward electrification of energy, with a high likelihood that some, maybe many current gas applications will be electrified while the electrification of transport is a substantial shift in energy use from liquid fuels, which currently provide about half of Australia's current energy use, to electricity.

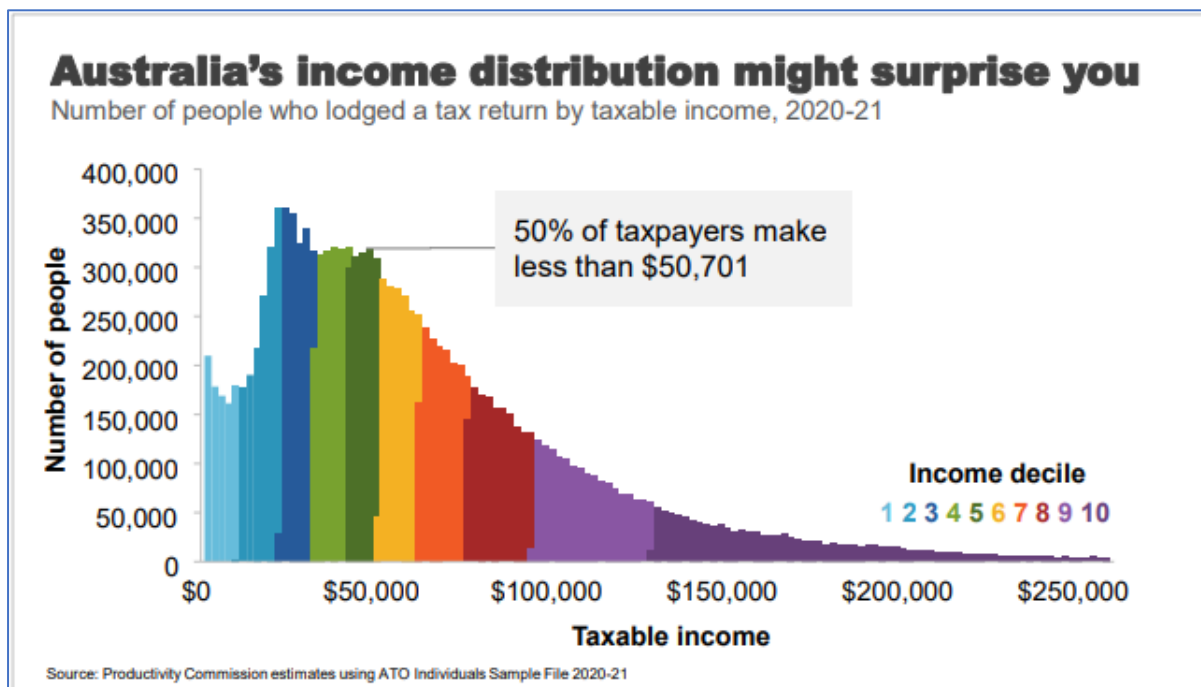
### Cost of Living

Throughout the planning for the 2025-30 regulatory proposal, cost of living pressures for households and businesses became an ever more present concern.

It is worth touching on 'affordability' as cost of living has become a catchcry, which risks diminishing the realities of household cost pressures.

In delivering the Stretton Lecture in Adelaide in 2024, Productivity Commission Chair, Danielle Wood, discussed aspects of "Inequality in Australia."<sup>3</sup>

The following graph was included in the presentation:



<sup>3</sup> [Inequality in Australia – what role does government policy play? 2024 Hugh Stretton oration](#)

This observation that median taxable income for Australia was \$50,701 in 2020-21 deserves consideration. A majority of people in the bottom half of the income distribution are renters. In June 2023 Median rent in SA was \$355 per week or \$18,460 per week, leaving about \$32,000 per year for all other costs. As a simple estimate, assume that incomes rose by 5% for a person on median income to 2023, this leaves an indicative \$32,000 per year to live on for a sole income household. Annual electricity charges of \$2000 equate to nearly 6% of income, so even modest increases in electricity costs have significant household budget impacts. Noting too that half of the population is worse off than a person on median income.

SAPN entered the 2025-30 regulatory period with a number of opportunities to improve electricity affordability. A significant number of assets being fully depreciated in the 2025-30 period and the SA Government's generous feed-in tariffs scheduled to expire in 2028, reducing customer bills. FIT charges are not a SAPN cost as it is exogenously determined, so outside SAPN's control, it is a 'pass through' to consumers that SAPN applies and considers as part of its tariff consideration. They had also underspent their regulatory allowance in previous regulatory periods.

Cost of living impacts have continued to be a major context for SAPN's regulatory proposal, right through to the final decision, CCP30 encourages the AER to closely consider this context in making the final decision.

### Transition to Net Zero

The World Economic Forum website includes discussion of a 2021 report from Institute for Energy Economics and Financial Analysis (IEEFA) stating in "A Grid Dominated by Wind and Solar Is Possible South Australia: A Window into the Future." <sup>4</sup>

*"South Australia (SA) is a window into the future of an electricity grid dominated by wind and solar, backed up by storage. Lessons from South Australia can help inform other jurisdictions on how to integrate large amounts of variable renewable energy (VRE) generation and distributed energy resources (DER) into the electricity system. This report presents seven key lessons from the South Australian experience for other states and nations that are transitioning from a fossil fuel-based grid to a low emission, high renewables penetration grid."*

This IEEFA paper is an example of the international recognition of the leadership that South Australia has played in integrating renewable energy into a distribution network with SAPN's role in this truly laudable. Recently, the SA Premier in a media release confirmed<sup>5</sup>:

*"Under the ambitious new target, electricity generation would be sourced from net 100 per cent renewables by 2027."*

He also observed

*"The forecasts come as:*

- *In calendar 2023, there were 289 days on which renewables met all of the consumption demand of the entire state for part of the day.*
- *There is so much supply from rooftop solar that on 31 December 2023, SA recorded a minimum demand of minus 26MW for a half-hour pricing period – that is rooftop solar alone was powering the state."*

---

<sup>4</sup> [A-Grid-Dominated-by-Wind-and-Solar-Is-Possible\\_June-2021.pdf](#)

<sup>5</sup> [New target for renewables | Premier of South Australia](#)

These achievements mean that SAPN needs to be able to maintain the network with increasing volumes of renewable energy and with more periods of negative demand. These are challenges for SAPN as they continue to problem solve the engineering challenges and flag that further innovation will be needed, and network investments will be needed to enable this transition that is occurring more rapidly than for other jurisdictions.

Important questions for SA consumers are then:

- i. Can the transition be undertaken at minimal additional cost
- ii. How are the costs and benefits of the transition investment equitably shared?

### Early Signal Pathway (ESP)

SAPN applied for and was accepted onto the Early Signal Pathway process, as described by the Better Resets handbook<sup>6</sup>. They are the third network business accepted onto the ESP process, summarised as:

*“This offers an alternative process for networks to engage with us, allowing them to get earlier formal feedback on aspects of their regulatory proposal – such as at the issues paper stage, in exchange for certain commitments. While this process is currently optional, our aim is that the early signal pathway approach eventually becomes part of the business-as-usual approach to regulation.” – Better Resets Handbook, page 5*

### Consumer Engagement

With this complex setting, SAPN began their engagement with consumers and other stakeholders early and developed a comprehensive program to explore the breadth and depth of consumer sentiment. Included in their process were ‘stretching’ engagement approaches, including the application of a ‘citizens jury’ engagement methodology that they named a ‘People’s Panel’ and the appointment of a Reset Advisory Group (RAG) that was a working group of the SAPN Consumer Advisory Board (CAB) which became the Consumer Advisory Forum (CAF) during 2024.

To SAPN’s credit these groups comprised people who were appointed to challenge and were effective in so doing, they were not a ‘tame’ reference and advisory groups – far from it.

Early in the engagement process, SAPN committed to apply the outcomes of the ‘People’s Panel’ which they largely did. Despite challenges to some aspects of the People’s Panel recommendations, SAPN persisted with this IAP2 ‘collaboration’ level engagement, meaning they intended to implement what the People’s Panel advised, to the fullest extent that they could.

CCP30 has provided observations about the SAPN consumer engagement approach and implementation in previous reports, including our response to the initial regulatory proposal. We summarise by observing that SAPN undertook an extensive engagement program and sought significant breadth of input. The engagement was genuine and sought to apply approaches that were collaborative (using the language of the IAP2 spectrum) and sought to push to IAP2 ‘empowerment’ on aspects of the proposal where this was achievable.

The continuing question that the AER, and many others, would want simply answered is something like: did the consumer engagement process deliver clear preferences that SAPN faithfully applied? This submission grapples with that question.

---

<sup>6</sup> [Better Reset Handbook - December 2021.pdf \(aer.gov.au\)](#)

### 3. Lead up to the Revised Proposal

#### *Conclusions Report*

In our Conclusions Report, 22<sup>nd</sup> November 2023 we said:

*“Areas where there is clear, positive agreement include:*

- *The sincerity of SAPN engagement, including active involvement of senior management and the Board (for the People’s Panel)*
- *Breadth of engagement*
- *Comprehensiveness of engagement program*
- *Extent to which ‘consumers were partners.’*
- *Transparency in reporting*
- *Focus on topics that had greater likelihood of influence.*

*Areas for further work include:*

- *Extent to which SAPN was open to new ideas and alternative views to those presented.*
- *Ability to focus on matters that impact most on consumers, eg as evidenced the reliability – affordability considerations. SAPN is focussed on reliability more than some consumer voices which focussed more on affordability.*
- *The extent to which the diversity of perspectives from consumer interest have been taken into account by SAPN and their ability to strike the appropriate balance between views.”*

In our discussion we opined that a dilemma for SAPN had been the diversity of views that it had received during their engagement, without a hoped-for consensus of consumer view on key issues. We encouraged SAPN to explain how they made “judgement calls” where their extensive engagement had generated differing views.

On the question of topics for Targeted Review, under the ESP process, we said in our Conclusions Report:

*“A significant aspect of the Early Signal Pathway is the earlier than otherwise identification of topics for targeted review. While the Regulatory proposal is yet to lodged by SAPN, CCP30 suggests that the following may be topics that could be subject to targeted review.*

1. *Reviewing Rising Cost Impacts and reliability balance*
2. *Capex (Augex)*
3. *Forecasts*
4. *Opex Step changes*
5. *Treatment of Depreciation and feed in tariffs and revenue”*

#### *Draft decision*

The AER provided its Draft Decision in response to the SAPN proposal in September 2024. Part of their overview stated:

*“... SA Power Networks’ good consumer engagement, comprehensive proposals for their planned capex and opex and tariff structures, and willingness to engage with AER staff has resulted in a draft decision that accepts substantial parts of the proposal. Nevertheless, there are areas – particularly for replacement expenditure (repex) and*

*augmentation expenditure (augex), where we do not accept the forecast, or propose placeholder values pending further information from SA Power Networks at the revised proposal stage.”*

The draft decision was for SAPN to recover \$5,143.5 million (nominal), \$20.5 million less than SAPN's regulatory proposal and \$1,235.3 million more than for the current regulatory period, a significant increase, with the AER stating that about 45% of the increase was driven by exogenous factors, specifically rising inflation and interest rates, leaving 55% of the increase from controllable expenses.

The main change in allowance given in the draft decision was for a 10.3% reduction in capex, shared roughly equally between repex and augex, with opex increases being described as “being prudent and efficient.”

Network reliability was found to be steadily improving and meeting the mandated state standards, with the exception being the CBD and some poorly served, outlying areas. The AER re-iterated a key theme from their recent decisions and in line with networking benchmarking:

*“We encourage SA Power Networks to continue seeking ways to utilise all options available to get the most out of its existing network before proceeding with building more.”*

### Capex

The most substantial changes between the SAPN revenue proposal and the draft decision relate to capex, in particular:

- Repex: the AER reduced the proposed repex amount by 15%, which is about 9% above actual and anticipated expenditure for the 2020-25 period. The AER said that this increase from current expenditure in part recognising that the SAPN network is ageing and so requires some additional repex expenditure.
- Augex: the AER reduced the proposed augex amount by 16.2% from the regulatory proposal, recognising the need for expenditure to improve CBD reliability and worst served parts of the network. More justification for the approach proposed for CBD reliability improvement was sought in the RP.

### Opex

In the draft decision the AER approved nearly all of the SAPN opex proposal, 18.9% higher than the actual and estimated opex spending for the 2020-25 regulatory period.

### Regulatory Depreciation

The draft determination allows for \$1,200.6 million in regulatory depreciation for the 2025-30 period, this is a 7.2% reduction from SAPN's proposed \$1,293.3 million. This outcome is mainly driven by the AER applying a higher level of inflation than SAPN along with the draft decisions reduced capex meaning that there would be less to depreciate during 2025-30.

CCP30 notes that even with the AER's downward revision, the amount of depreciation is significant and could be utilised, in part, to reduce the allowance sought, to the benefit of customers.

### Innovation Fund

SAPN sought \$20m to establish an Innovation Fund, a topic that was well explored in engagement discussions.

The AER said:

*“We recognise the importance of innovation investment in supporting the energy transition. We consider that SA Power Networks needs to do further work on its proposed \$20 million innovation fund.”*

### Tariff Structures Statement (TSS)

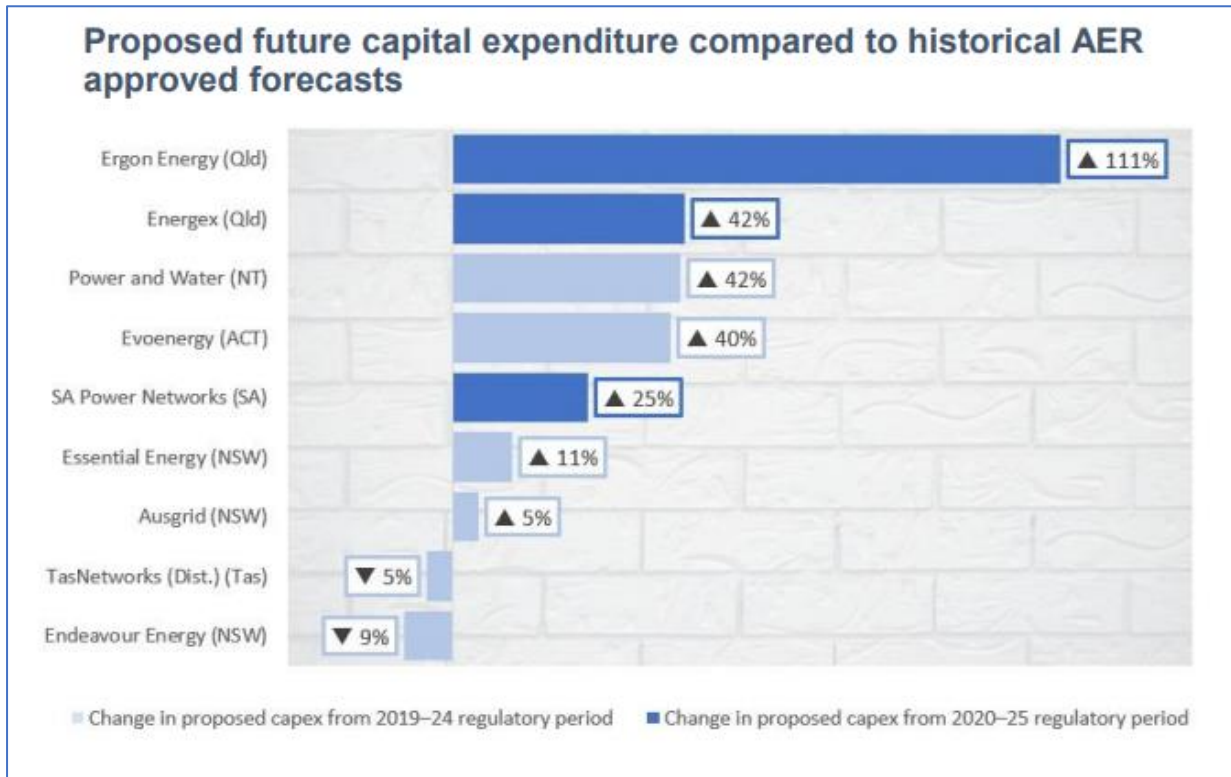
The AER supported the TSS proposed by SAPN, with the one adjustment proposed being to offer a time of use tariff to high demand and low use customers with specific reference to operators of Electric Vehicle charging facilities.

### Predetermination conference, 14<sup>th</sup> October 2024

A ‘predetermination conference was held on 14<sup>th</sup> October with the AER highlighting:

- SAPN reliability performance is improving over time
- Capex reductions in the draft decision
- EV charging and the TSS
- Placeholders pending further information:
  - CBD reliability
  - Innovation Fund
  - Demand forecasts and demand related augex.

The AER also explained “Electricity customers are also facing a wall of capex from distributors”, presenting this slide.

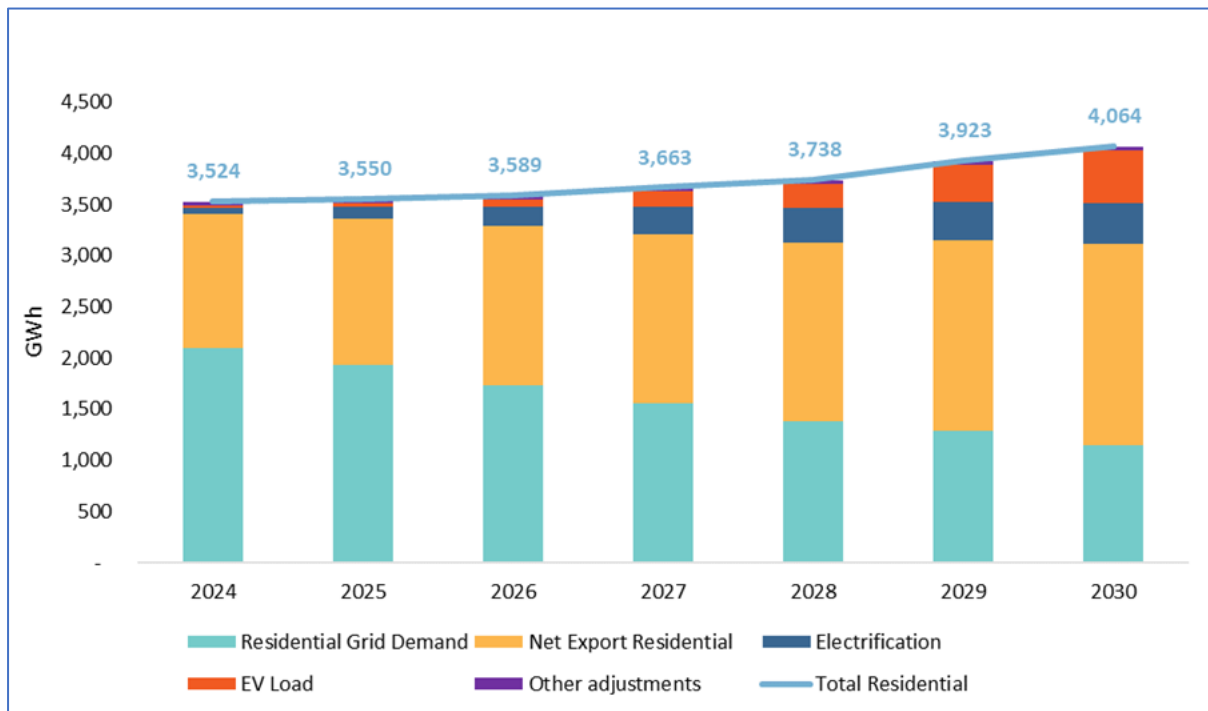


Discussion topics included affordability, EV charging and CER/DER

There was also some discussion between SAPN and a CAB member after the predetermination conference about affordability and forecasts.

In response to differences between AEMO’s (ESOO 2022) forecasts of declining residential consumption through to 2033 compared with SAPN’s forecasts for delivered energy.

SAPN highlighted the following chart from 2025-30 TSS Part A, showing SAPN forecasts for delivered energy.



SAPN noted that the ‘Residential Grid Demand’, ‘Electrification’ and ‘EV Load’ components in the chart combine to equal AEMO’s ESOO 2022 SA Grid Residential forecast consumption (Central Scenario). The chart shows that residential grid demand is indeed expected to decline through the next regulatory period, while total residential delivered energy rises.

This discussion and the input from the predetermination conference show that the SAPN RP will at least need to revise, provide further evidence for or further consider, in the main:

- Affordability
- Forecasts
- Capex (particularly repex and augex,)
- Innovation fund,
- reliability performance and
- EV charging as part of the TSS.

#### *Revised Proposal*

SAPN lodged their Revised Proposal on 2<sup>nd</sup> December 2024, over 3 years after initial engagement had begun.

The headline numbers for the RP being:

1. Revised Proposal Revenue sought, \$5,168 million, an increase of \$4m on the original proposal, and \$25m more than the AER’s draft decision.

2. Revised Proposal Opex sought: \$2,023m, an increase of \$53m on the original proposal that was accepted by the AER in the draft decision. An increase of 2.7%.
3. Revised Proposal capex sought: \$2,338m, a decrease of \$41m on the original proposal and \$203m more than the draft decision. A 10% increase on the draft decision

SAPN also states that the RP would equate to an annual real residential (small business) distribution bill, in 2029/30 of \$570.00 (\$1,362) for the year, an increase against the draft decision impact of \$567 (\$1,355) and the original proposal of \$582 (1,391).

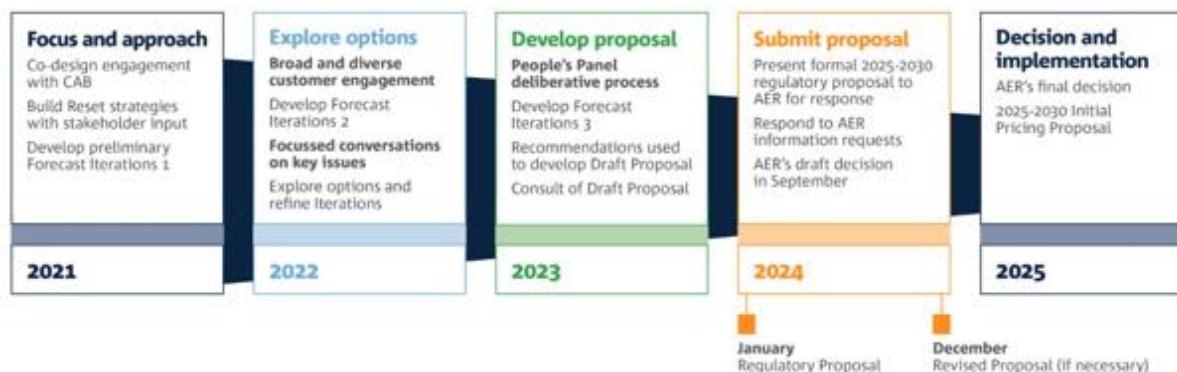


## 4. Revised Proposal in more detail

### 4.1 Customer Engagement

#### Recap

The Initial Plan for their engagement was summarised by SAPN in this diagram.



During 2022, there were two main sets of engagement activities:

1. 6 Regional Engagement Workshops and 6 Broad and diverse consumer engagement workshops
2. Focussed Conversations on key issues conducted between August and October 2022. There were 13 topics initially, with the focussed conversations' main role being to form issues / options to be taken to the People's Panel in the months following. The engagement on the focussed conversations is summarised as:
  - a. CBD reliability: 2 workshops (8 hours)
  - b. Managing Network Performance: 4 workshops (22.5 hours)
  - c. Equity and Vulnerable Customers: 10 workshops (approx. 20 – 25 hours)
  - d. IT Cyber Security: 1 workshop (approx. 3 hours)
  - e. Energy Transition: 4 workshop (15 hours)
  - f. Vegetation management: 2 workshops (6 hours)
  - g. Customer Experience and Interactions: 7 workshops (approx. 18 hours)
  - h. Public Lighting: 1 workshop (4 hours)
  - i. Property: 1 workshop (4 hours)
  - j. Tariffs: 9 workshops (28 hours)

The methodology for the various workshops varied: a majority were face to face, most with excellent diversity of perspectives engaged and strong participation from numerous participants. Some engagement was online, while other sessions or part sessions were with the CAB or the CAB reset sub-committee. We observed that participation waned for some of the longer running focussed conversations.

The main focus of the engagement program following the focussed conversations was the Peoples Panel. This was a citizen’s jury process with 51 South Australian citizen panellists asked to consider the question:

*“There are choices about the level of service that SA Power Networks offers, however all services come at a cost. Looking forward to 2025-30 – we want to understand what customers consider is the best balance of service and price?”*

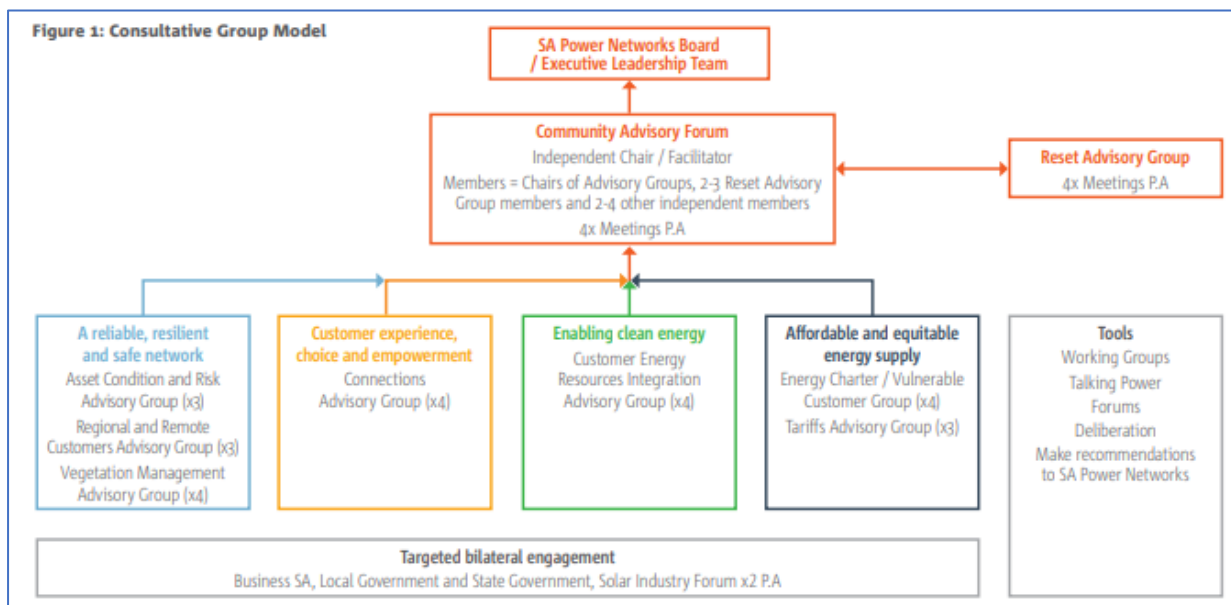
*Regulation requires SA Power Networks to consider export tariffs that reflect the cost of providing the service. How can the transition be phased in to maximise fairness and equity for all?”*

The process was conducted by consultancy DemocracyCo and was conducted over 3 all weekend deliberation sessions in November 2022 (onboarding), February and March 2023 (deliberation). Participants were well supported with background information presented as videos, interviews and background papers. Dr Andrew Nance was also engaged to be a ‘friend of the Panel’ to assist with answering questions that Panel members may have had and to help the Panel reflect on their task, his role was highly valued by all parties.

Engagement since the Draft Decision.

In April 2024 a revamped consultative group was established, the Community Advisory Forum (CAF), replacing the previous Consumer Advisory Board (CAB) with the reset Advisory Group (RAG) continuing.

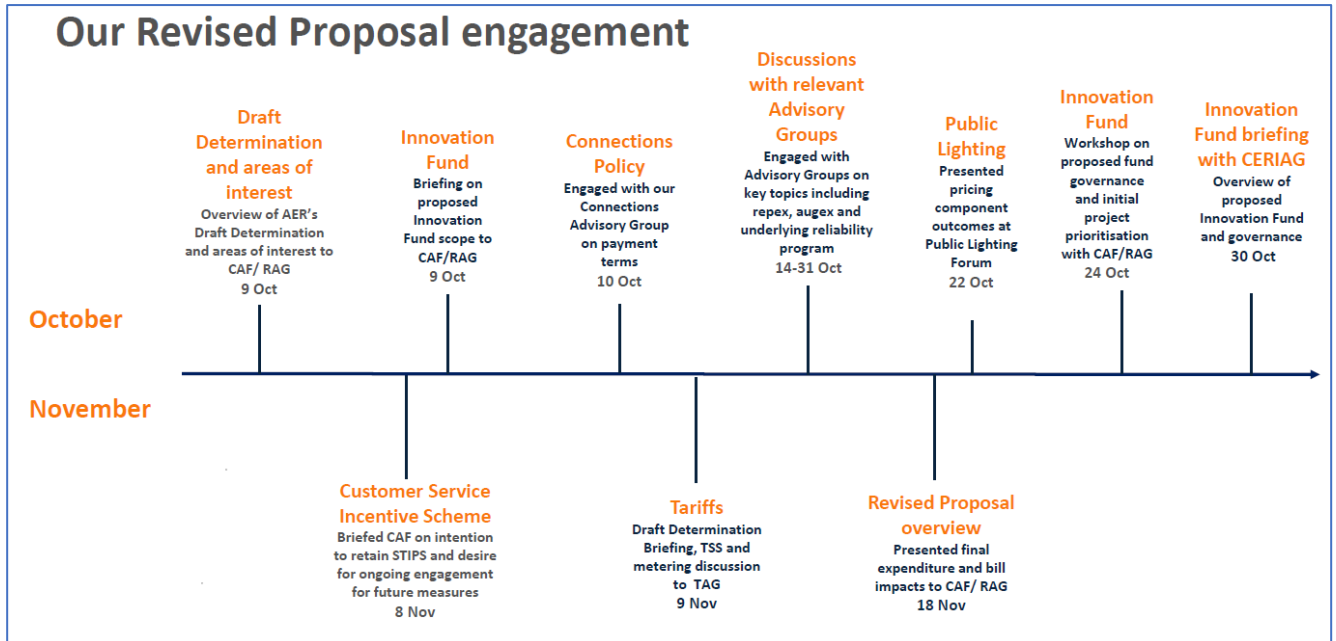
Central to the CAF structure are topic specific Advisory Groups with chairs of each of these groups being members of the CAF, which is consequently able to bring together the considered view of the advisory groups and provide comprehensive community and stakeholder advice to SAPN. The advisory structure is given as follows in the RP.



CCP30 had limited opportunities to observe engagement in the post Draft Decision period as many were 1:1 or smaller group discussions. CCP30 observed the main combined meetings of the relatively newly reformed CAF and the RAG (9<sup>th</sup> October 2024 and 18<sup>th</sup> November 2024).

The following overview of engagement by SAPN since the Draft Decision was provided to the CAF and RAG on 18<sup>th</sup> November and included in the RP.

## Our Revised Proposal engagement



At the meeting of the RAG on 27<sup>th</sup> August, engagement post draft decision was discussed with SAPN listing the IAP2 level as being “collaborate.” The Customer Service Incentive Scheme was also discussed at this meeting

Our comments about the engagement post draft decision is based on both observations of the meetings attended and discussions with a SAPN engagement staff member and some CAF/RAG members. Key aspects of the engagement have included:

### *Briefing CAF/RAG*

Briefing of the combined CAF and RAG about the draft decision with SAPN, who’s ‘key takeaways’ for the draft decision were given as:

- SAPN’s CAB reported that SAPN’s effort and collaborative approach largely met expectations of the Better Resets Handbook
- Draft Decision largely accepted SAPN proposal
- Customer service levels will be maintained through the 2025-20 period.
- “Average distribution bill increases are less than 2% of total retail bills. Residential bills increase by avg \$8pa over the period.”
- In response to affordability concerns, AER accepted ‘smoothing profile’ to reduce bills over the first 3 years
- SAPN said that “the prudence and efficiency of our Proposal was largely confirmed by the AER.”
- TSS accepted, with one minor change
- Further stakeholder engagement committed over October and November 2024.

SAPN also said that the issues in ‘contention’ were technical in nature meaning that SAPN was focussed on updating data to provide further evidence for ‘narrow’ expenditure proposals.

SAPN ‘bookended’ their post draft decision engagement with a briefing to combined CAF/RAG on 18<sup>th</sup> November.

#### *Innovation Fund*

There was a briefing about SAPN’s proposals regarding the scope of the Innovation Fund to the CAF/RAG on 9<sup>th</sup> October. This discussion was instrumented in a subsequent half day workshop being held on 24<sup>th</sup> October with a focus on Innovation Fund governance and prioritising potential, initial projects.

SAPN’s standing committee CERiAG (Customer Energy Resources Integrated Advisory Group) was also briefed about the Innovation Fund proposal as it was emerging from the 24<sup>th</sup> October workshop. The CERiAG is an advisory group linked to the NIC, SAPN’s innovation and development centre which has been functional, at a separate location from other offices and depots, for many years.

#### *Advisory Group Discussions*

SAPN conducted discussions with its advisory groups over the fortnight from 14<sup>th</sup> of October 2024 with the main focus for each group being their perspectives on repex, augex and reliability – key topics where the AER was seeking further detail. The Advisory Groups involved included:

- Asset Coordination and Risk
- Regional and Remote
- Vulnerable Customers

CCP30 understands that there was also a separate discussion about CBD reliability with members of more than one of the Advisory Groups.

SAPN described these sessions as “closing the loop,” on an extensive engagement programme.

#### *Customer Service Incentive Scheme (CSIS)*

This topic had been discussed at various times over the course of regulatory proposal development. On 8<sup>th</sup> November members of the CAF were briefed on SAPN’s intention to retain STPIS, as the proposed CSIS was not accepted by the AER. There is intention for further engagement about measures to improve incentives for better customer service, once the regulatory process has been finalised.

CCP30 understands that CAF members were generally accepting of this course of action with considerable interest in developing better measures for future application.

#### *Tariffs and Pricing*

A Tariffs Advisory Group is one of the Advisory groups that reports to the CAF and this group was briefed on the Draft Decision regarding AER’s general acceptance of the TSS. This session was mainly a briefing for the Advisory Group members with some discussion about EV charging and metering.

## Public Lighting

A public lighting workshop was held on 22<sup>nd</sup> October, mainly with Local Governments with public lighting responsibilities where the main topic discussed was pricing for public lighting, based on draft decision outcomes.

### CCP30 Observations

We have previously discussed the engagement program that SAPN has implemented for over about 3 years to this RP stage. The engagement has been detailed, broad and focussed on a breadth of topics with an exhaustive programme involving people and organisations from across the state and from an appropriate diversity of perspectives.

The following table attempts to summarise the CCP30 observations of SAPN's engagement since the Draft Decision was released, focussing on the key topics that we consider were to be carried forward from the Draft Decision and predetermination conference.

Carried forward topic (from Draft Decision)	Who engaged	IAP2 spectrum level	Comments
Affordability	CAF/RAG	Inform	An omnipresent topic rather than one overtly engaged upon in the post DD period.
Forecasts	CAF/RAG	Inform	Forecasts updated to consider 2024 ESOO. Concerns about consistency of data largely resolved with updated forecast. Impacts capex.
Capex (replex and augex)	CAF/RAG & Advisory Groups	Inform	Detailed work undertaken by SAPN of DD identified areas, e.g. RP attachments 5.4.2.1 – 5.4.2.5
Innovation fund	Broad engagement including CAF/RAG	Involve - collaborate	Significant engagement undertaken and generally accepted outcome proposed in RP, with shared commitment to make the Innovation fund work for customers.
Reliability / performance	CAF/RAG	Inform	Main focus throughout engagement has been on CBD reliability and worst served customers, little observed response to AER's comments about reliability steadily improving.
TSS / EV charging	Tariffs Advisory Group	Inform - consult	Significant pre-lodgement engagement and all parties generally accepting of TSS proposed. EV charging matter resolved for now
Other (CSIS)	CAF/RAG	Consult	Solid engagement continued. This will be the focus of further exploration post final decision.
Other (Public lighting)	Local Government	Inform	More part of ongoing process than specifically tied to RP, also some aspects of 'closing the loop.'

Table 1. Source: CCP30 observations.

It is also worth noting that SAPN is very clearly looking to continue its active engagement beyond the final decision from the AER in about April 2025. SAPN has refreshed the CAB to form the CAF, with some continuing members and some new members with an independent chair who has an extensive understanding of energy and consumer issues. The Reset Advisory Group is also continuing, so that “reset” considerations are ongoing.

The final paragraph from the CAF and RAG forward to the Revised Proposal states:

*“We look forward to continuing to work collaboratively with SA Power Networks as it delivers its 2025-30 program from July 2025. We will hold SA Power Networks accountable for the customer outcomes that formed the basis for the Regulatory Proposal.”*

CCP30 has no doubt that the collaborative relationship will continue between SAPN and its CAF and RAG, no doubt with some ‘strains’ from time to time and that SAPN will be held accountable for the consumer outcomes committed in the RP, as they want and expect.

## 4.2 Capital Investment (Capex)

### Revised Proposal

There are two categories of capital investment that SAPN has proposed be significantly increased for 2025-30, replacement expenditure (replex) and augmentation expenditure (augex)

SAPN considers that declining depreciation as a number of assets are fully depreciated signals a need for greater replex investment while they continue to highlight that the SAPN network is ageing as signalling a need for greater replex spending.

The RP summarises total capex proposal as follows:

	2020-25	Proposal	Draft Decision	Revised Proposal	RP % change vs 20-25	RP % change vs Proposal
Capex	\$2,007.3m	\$2,379.1m	\$2,135.2m	\$2,346.7m	17%	-1.4%

In other words, the RP is almost the same as the original proposal, with a modest 1.4% reduction. The replex / augex breakdown is given as:

\$million, June 2025	Current Period	Proposal	Draft Decision	Revised Proposal	Var. to Proposal, \$	Var. to Draft Decision, \$	Var. to Current Period, \$	Var. Current Period,
Replex	736.8	909.4	772.6	879.6	(29.80)	107.0	142.8	19%
Augex Capacity	146.5	240.9	204.5	203.5	(37.3)	(0.9)	57.1	39%

CBD reliability spending is one of the drivers of the capex increase in the RP increasing from \$12.2 in the 2020-25 period to \$61.4 in the RP.

Regarding replex, SAPN describes their response to the Draft Decision replex issues in their RP:

*“Addressed AER concerns with modelled Repex by revising / updating risk input assumptions and model calibrations with consistent use of actual data averaging periods. Also verified that our proposal will do no more than maintain the service levels in metrics of outage duration and frequency.”<sup>7</sup>*

And for CBD reliability, they explain responses to the Draft Decision:

*“AER forecast was a placeholder. Addressed concerns by better calculating the baseline service level (determining the size of the gap to the compliance service level to achieve) and a more granular/locational analysis to select an investment option optimising on least cost across all available solutions including network topology alterations.”*

Regarding augex increases, SAPN said that they adjusted demand based augex in conjunction with updating demand forecasts and *“improving project selection using economic timing.”*

The Draft Decision identified aspects of the original capex proposal that required further detail as justification for the amounts sought. The RP documentation includes several attachments that provide substantial detail, much of it technical, to back up the proposed capex increases, compared to the draft determination. Documents providing capex detail included detailed descriptions and costings for a number of projects, including:

<sup>7</sup> Page 27 of overview

- Network Asset Replacement expenditure (attachment 5.3.1)
- CBD reliability (attachment 5.3.12)
- Augex Capacity (attachment 5.4.2)
- Mt Barker east new substation (attachment 5.4.2.2)
- Salisbury South new substation (attachment 5.4.2.3)
- Smithfield West substation upgrade (attachment 5.4.2.4)
- Ecosure – Adelaide flying fox population trend (attachment 5.9.6) (CCP30 notes that dealing with the significant escalation in flying fox population is a real issue for reliability of electricity supply and an issue impacting repex)

While CCP30 has not reviewed the detail of these documents, nor were they part of observed engagement, they indicate significant work by SAPN to better detail capex increase proposals, in response to the Draft Decision.

#### CCP30 Observations

CCP30 is clear that the engagement has considered a number of aspects of capex proposal, though more from an ‘outcomes’ perspective (e.g. CBD reliability and service worst served customers) than exploring in detail the projects that will achieve these outcomes, for example with CBD reliability, the details of replacing 11.4km of high voltage cable, installing 35 automated load switches, etc; as described in appendix 5.3.12 – CBD reliability – December 2024.

We can see that each project proposed is well researched and explained, and that the costs associated with each project appear to be efficient, as sought by the AER in the Draft Decision.

What has not been so clear has been how prioritisation of potential projects has been undertaken and where ‘a line is drawn’ between projects that are absolutely essential for:

- ongoing network function,
- the projects that will most support the transition to net zero, and
- the projects that are important but less urgent or do not deliver such a substantial transition benefit.

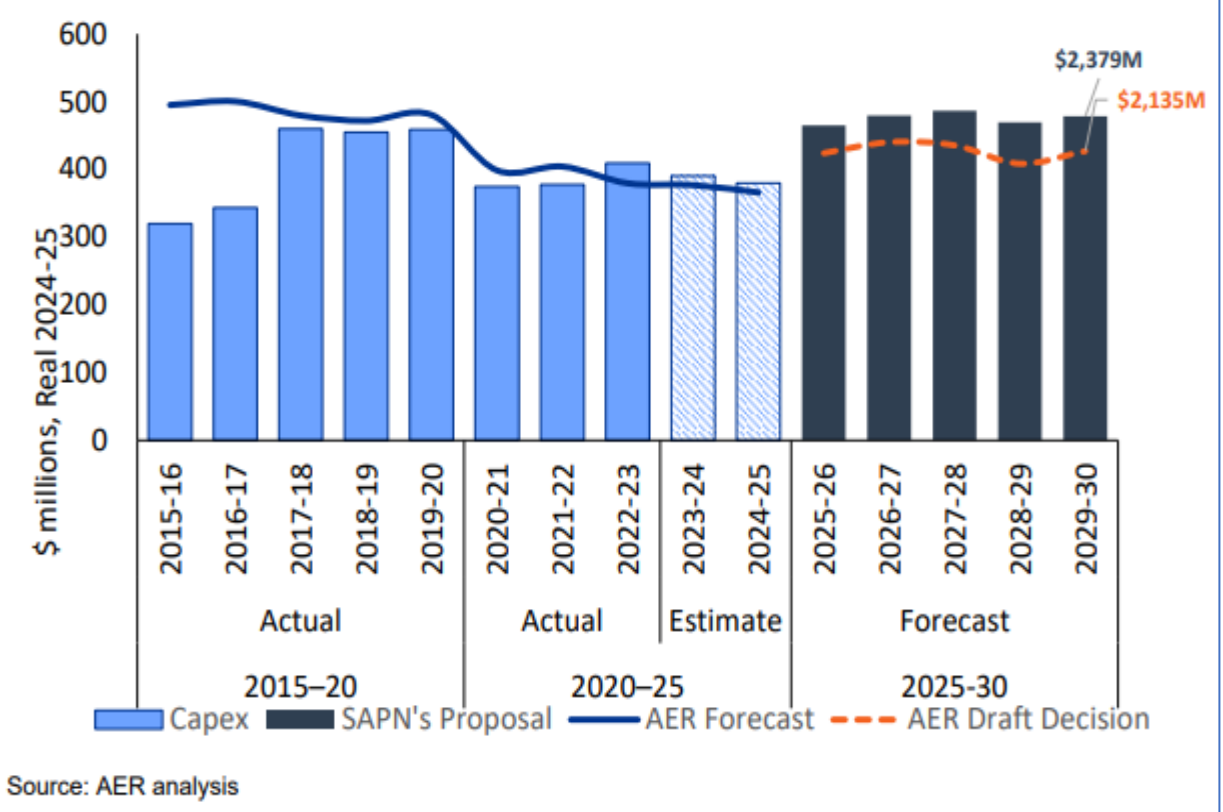
In short, the efficiency of proposed projects is well documented but, for consumers, we are less clear about how their relative prudency has been determined.

Right through the engagement process, SAPN has talked about their ageing network and the need to increase the pace of asset replacement.

The draft determination includes this chart:

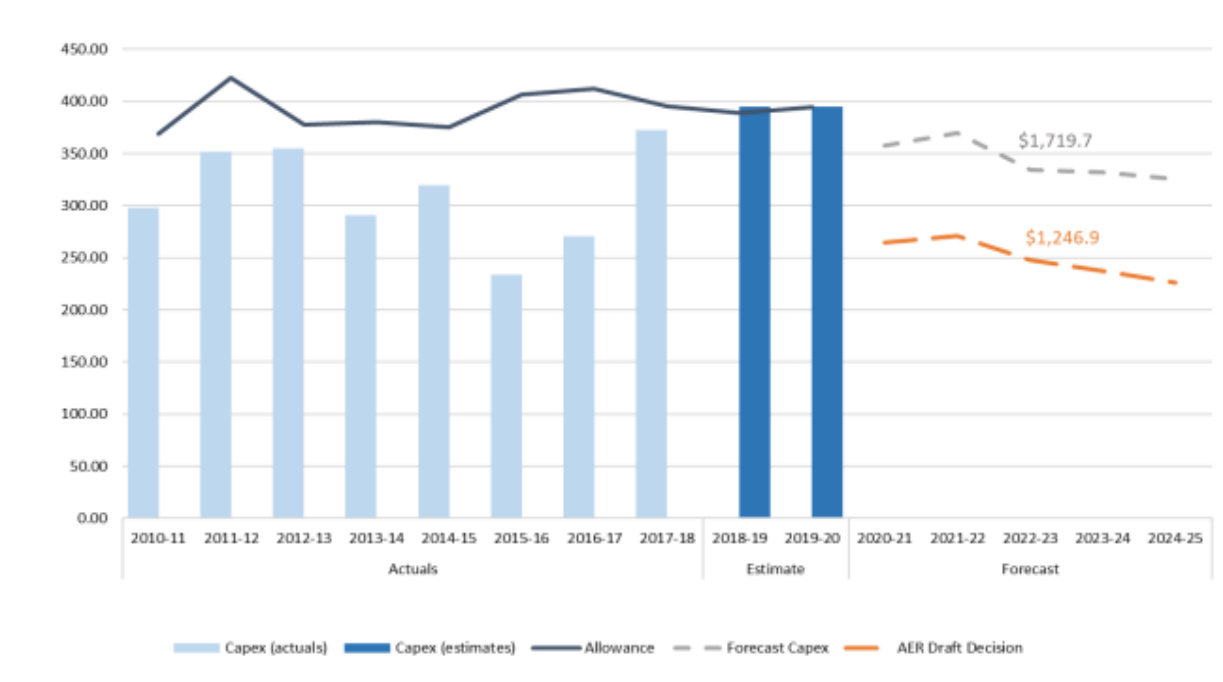


**Figure 9 SA Power Networks' historical and forecast capex (\$ million, \$2024–25)**



The equivalent chart is also given in the AER's Draft Decision for the 2020-25 regulatory period<sup>8</sup>

**Figure 6 SA Power Networks' capex over time (\$ million, 2019–20)**



<sup>8</sup> [AER - SA Power Networks 2020-25 - Draft decision - Overview - October 2019 2.pdf](#)

This data highlights the reality that SAPN has largely underspent its capital allowance for over a decade. This raises a number of questions about SAPN's longer-term asset management strategy, including why the under-expenditure was permissible for so long.

We accept that issues such as the pandemic would have affected resource availability, but it still raises questions as to the change in policy that seems to apply more recently, when very long-lived assets are considered.

CCP30 recognises that substantial amount of work that has gone into wading through the complexity of capex planning, both repex and augex by SAPN. We have also observed a significant amount of engagement on matters that impinge on capex decisions. We are satisfied that the efficiency of proposed expenditure stacks up on a project-by-project basis.

What remains less clear, in a very difficult period of affordability pressures for many households and SME's is the prudence<sup>9</sup> of the total capex spending package as proposed in the RP.

### 4.3 Operating Costs

#### Revised Proposal

The AER accepted SAPN's regulatory proposal of \$2043.9M for opex in the Draft Decision; including debt raising costs and an allowance for legacy metering services.

The RP, however, increases the overall opex sought by \$33M (1.6%) to \$2,077.3M, compared to the Draft Decision and original proposal.

SAPN says in the RP:

*"We have only revised our proposal to address issues raised in the AER Draft Decision and otherwise expected by typical regulatory practice, leaving all other areas of our Original Proposal unchanged."*

We note that a key driver of the increase has been that actual base year opex, now that it's known, is 4.9% higher than in the original proposal feeding into higher base and subsequent trend opex.

We also understand that real labour price escalation is included in opex trend adjustments and that SAPN contracted Oxford Economics (RP attachment 6.2) to calculate labour cost escalation through to 2029-30. Oxford Economics state:

*"For electricity network related labour, Oxford Economics Australia forecasts that total wage costs for South Australia's Electricity, Gas, Water and Waste Services (EGWWS or 'Utilities') sector — expressed in Wage Price Index (WPI) terms — will average 3.6% per annum over the five-year period from FY26 to FY30 inclusive" - page 3*

They also observe that superannuation guarantee increases of 0.5% need to be added to WPI forecasts for FY25 and FY26 and observe that *"utilities wages are forecast to increase by more than the national average over the forecast period."*

---

<sup>9</sup> We are understanding prudent to mean: "Prudent means sensible and careful, especially in managing one's activities or providing for the future" as defined by Collins Dictionary [www.collinsdictionary.com/dictionary/english/prudent](http://www.collinsdictionary.com/dictionary/english/prudent). CCP30 is focussing on the use of prudent to have a clear 'forward looking' perspective.

### CCP30 Observations

The reduction in step changes, compared to the original proposal has been reduced by 17% to \$107m. This is encouraging, in part because CCP30 considered the originally proposed step changes to be too high.

The revision to base year through the availability of actual audited results and the labour cost escalation impacts on 'trend' opex are noted, though cold comfort to lower income households stuck with rising electricity bills who would love to enjoy the labour cost escalation enjoyed by energy sector workers.

The following chart from the Draft Decision compared actual opex expenditure with allowance:

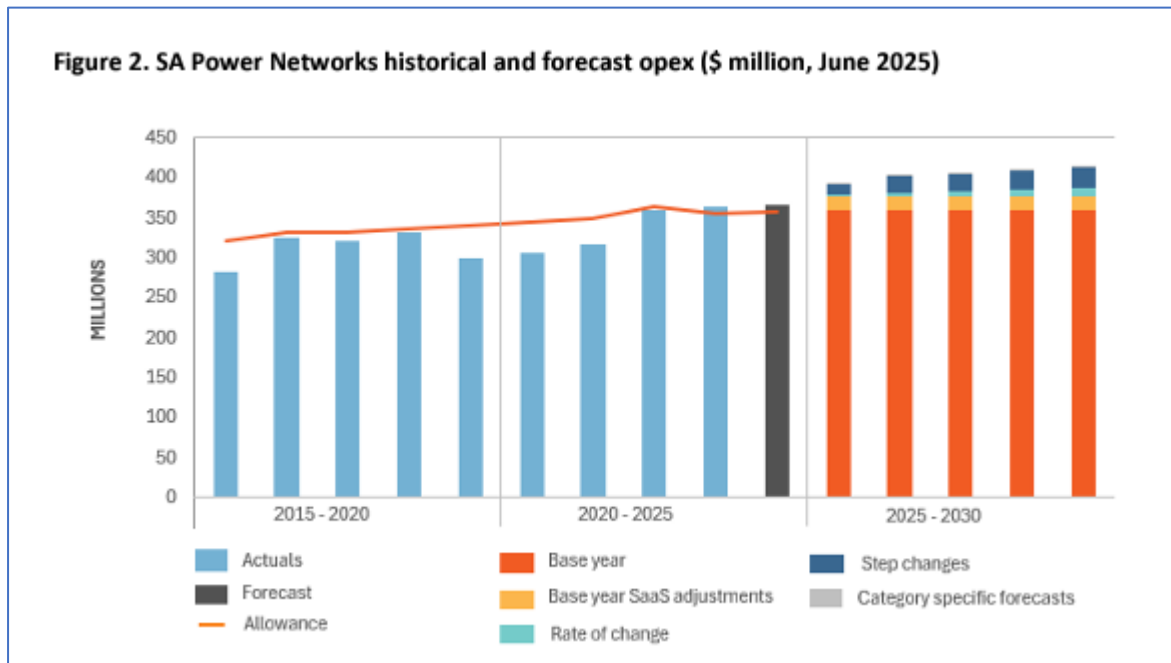


Figure 1 - SAP Power Networks Opex trend - 2015 - 2030 (source: SAPN Revised Proposal, Attachment 6, Figure 2)

As with capex, CCP30 notes that there has been history of underspend of actual opex compared to allowance for a number of years over the past decade, suggesting to us the SAPN could drive their productivity improvements harder, to the benefit of consumers.

### 4.4 Innovation Fund

#### Revised Proposal

The idea of SAPN establishing a dedicated "Innovation Fund" separate to their well-established NIC (Network Innovation Centre) has been a part of the engagement for this regulatory proposal from quite early in the process.

CCP30 has observed full agreement from customers and stakeholders about the importance of innovation and recognition that innovation is crucial to solving many of the electricity distribution issues in the transition to net zero. SAPN's leadership in innovation has also been recognised and lauded.

The debates have mainly been about who pays for innovation, who benefits and how is an Innovation Fund different from the Innovation that any well-functioning business would undertake as 'business as usual'?

The Draft Decision accepted the potential merits of an Innovation Fund, but did not accept SAPN's original proposal, seeking greater clarity about the sort of projects that would be considered, governance and knowledge sharing approaches and expectation that the revised proposal would meet the AER criteria.

CCP30 observes that in the post Draft Decision engagement, the Innovation Fund has received as much attention as any topic, with consumer and stakeholder views more keenly sought than in some other 'inform' level engagement. Engagement on the innovation Fund was at the "Involve" and "collaborate" levels of the IAP2 spectrum

The RP includes an updated Innovation Fund proposal seeking \$20m, \$16m of which would be for capex and \$4m for opex. This proposal is supported by a detailed "Innovation Fund Business case addendum" (RP document 5.13.4) that spells out both expected consumer benefits and a "consumer-led governance model." Table 1 of this document summarises a listing of feedback from both AER and Stakeholders with specific SAPN responses to each of these topics. CCP30 considered this to be a very helpful summary

#### CCP30 Observations

We have observed proactive and well-informed debate about the Innovation Fund and general acceptance for the proposed fund and the \$20m sought, while opinions from some consumer groups also remain that consumers are carrying too much of the risk.

There is keen interest in the Innovation Fund and the topics identified for focus and a clear commitment from the CAF and SAPN to work closely with each other on implementing the Innovation Fund and ensuring that there are tangible benefits to customers.

CCP30's expectation is that the Innovation Fund will enable SAPN to build on their already strong foundations for Innovation, the fund will provide a useful strategy in response to the uncertainty that energy markets confront. With SAPN's existing consumer consultative framework, we expect that consumers, particularly through the CAF, will hold SAPN to account with the Fund's consumer centricity.

### 4.5 Incentive Schemes

#### Revised Proposal

The Draft Decision accepts continuity of EBSS, CESS, STPIS, DMIS and DMIAM but does not accept the proposed Customer Service Incentive Scheme.

The EBSS carryover has changed in the RP being \$-115m, based on financial audited 2023-24 'base year' opex. This is compared with the original proposal forecast result of \$-20m which was adjusted to \$-41m in the Draft Decision. In the RP SAPN say that they don't provide a revised EBSS proposal, rather they have worked with the AER and updated the EBSS model and revised RIN templates.

CCP30 questioned whether this might lead to a higher EBSS payment to SAPN? We have received the following advice from AER's opex team:

*"The assumption that underspend = reward, and overspend = penalty, isn't exactly right. SAPN has underspent in the current period, but it will not 'eventually' get a reward for this because it has already received its reward as this underspend was pure profit for SAPN. Instead, SAPN has accrued negative EBSS carryovers because it has incurred significant efficiency losses (i.e. its opex increased compared to the previous year) later in the period."*

The AER opex team also said:

*“The EBSS outcome also needs to be considered alongside the impact on forecast opex. The higher actual base year opex (compared to the estimate used in the initial proposal and Draft Decision) leads to higher forecast opex. But it also results in higher EBSS penalties, significantly offsetting the opex increase. The higher base year opex also reduced SAPN’s profit in the base year. The net impact of all this is that SAPN is worse off overall. This gives the team comfort that the increase in expenditure was likely prudent and efficient.”*

Regarding CSIS, the RP effectively returns to the STPIS status quo with both SAPN and the CAF agreeing to continue working on a more effective consumer service effectiveness measures, after the RP is lodged.

#### CCP30 Observations

CCP30 is satisfied that the Incentive schemes are being appropriately applied and have faith in the future work that CAF and SAPN will undertake on thinking about measuring customer service.

We provide more context to this position in the attached ‘Reflections’ document.

### 4.6 Tariffs and Pricing

#### Revised Proposal

The AER has largely supported SAPN’s TSS proposal and this is reflected in the Revised Proposal , which picks up on allowing high peak demand and low average demand businesses to be on Time-of-use (ToU) tariff only arrangement, e.g. for EV charging operators and the like. SAPN was also asked to clarify how eligibility will be determined for customers to access individually calculated tariffs and to demonstrate how alternative control services are compliant with pricing principles.

SAPN has responded to each of these by updating their TSS as proposed by the AER.

#### CCP30 Observations

While it is not common for CCP subpanels to single out individuals in submissions, CCP30 members think it appropriate to mention that work on tariffs that has been undertaken by SAPN’s James Bennett over many years. He has made substantial contributions to thinking about tariff design and impacts and always maintained a strong focus on customer impacts. We observe that the people undertaking this work now that James has retired, continue to provide well developed tariff options and diligence in considering impacts.

This high calibre work is reflected in the acceptance of the SAPN TSS proposal and provides confidence that the TSS is appropriate.

The issue of ToU for larger, ‘peaky’ load points, is the subject of discussion across a number of utilities. CCP30 discusses this issue in detail in our submission for the Energy Queensland DNSPs. Whilst we recognised the AER’s role in observing the sustainability aspect of the NEO, we see this as creating a precedent that will need to be considered in future regulatory reset proposals.

## 5. CCP Overview of SAPN RP

In the Forward to the Revised Proposal, Chair Peter Tulloch and CEO, Andrew Bills say:

*“In real terms, this will see customers’ distribution bills across the 2025-30 period reduce by 7%. This is a good outcome for customers and heavily influenced by our stakeholders’ involvement.”*

We agree with this statement, but continue to question whether SAPN, a well performing, well respected and progressive electricity distributor, could do better?

---

*The question remains, “Could the 7% reduction in customer’s bills have been greater, with the end of the solar feed-in tariff, considerable depreciation, better network utilisation and a greater contribution to affordability from SAPN shareholders?”*

---

SAPN says that even though much of their engagement was focussed on specific issues, they are satisfied that they have also given consumers a good perspective of total impact on customers of all of the measures proposed and (to varying degrees) supported by engagement. SAPN will point, as an example, to the final day of the People’s Panel where they produced a ‘live’ (on butchers paper) aggregated impact to the Panel.

Some participants in SAPN’s engagement processes are not satisfied that adequate attention has been given to total bill impacts of the various expenditure measures that SAPN has proposed.

In considering how a “reasonableness test” might be applied to SAPN’s 2025-30 regulatory proposal, CCP30 has noted a couple of recent reports in a search for overall proposal ‘reasonableness.’

On 30th December 2024, the ACCC’s “Inquiry into the National Electricity Market report - December 2024”<sup>10</sup> report was published.

The Financial review, for example, summarised key findings<sup>11</sup> saying:

*“Though annual electricity prices declined between August 2023 and August 2024, the Australian Competition and Consumer Commission found more than 80 per cent of households could save on electricity if they either shopped around or contacted their existing provider to ask for a better deal.”*

The review had a main focus on retail considerations, including tariffs and switching impacts for customers. The consideration of network charges included the following:

*“There were also increases in retail margins across all regions, with more prominent increases in in South Australia and South-east Queensland. While margins were higher overall, outcomes varied greatly across retailers and regions.” Page 7*

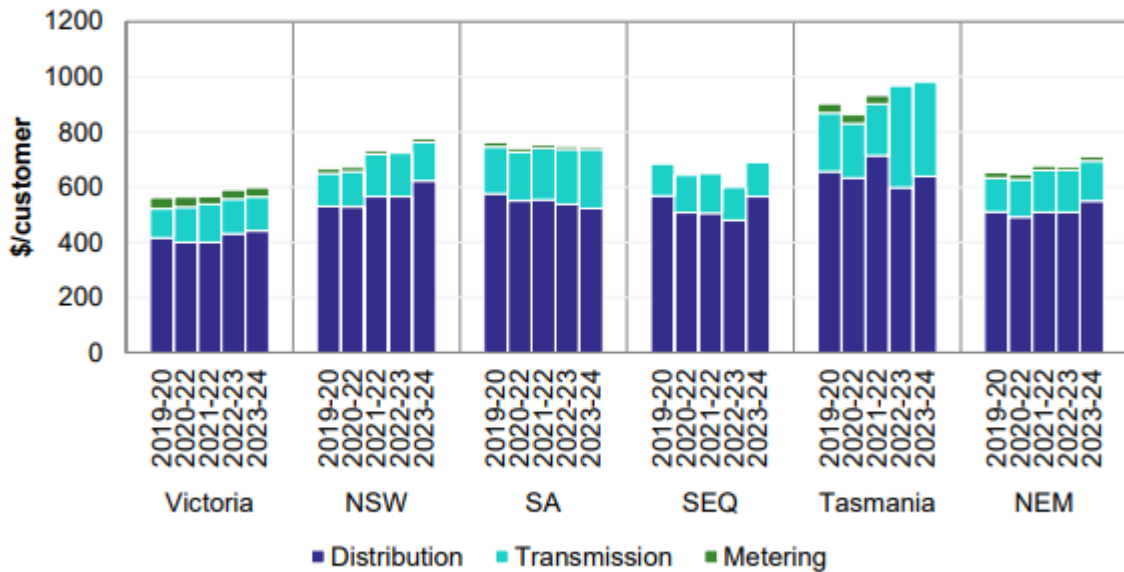
---

<sup>10</sup> [Inquiry into the National Electricity Market report - December 2024 | ACCC](#)

<sup>11</sup> [Electricity prices: ACCC finds more than 80pc of Australian households paying too much for power](#)

**Figure 3.12: There were small increases in network costs in 2023–24**

Average network costs per residential customer by NEM regions, 2019–20 to 2023–24, nominal terms, excluding GST

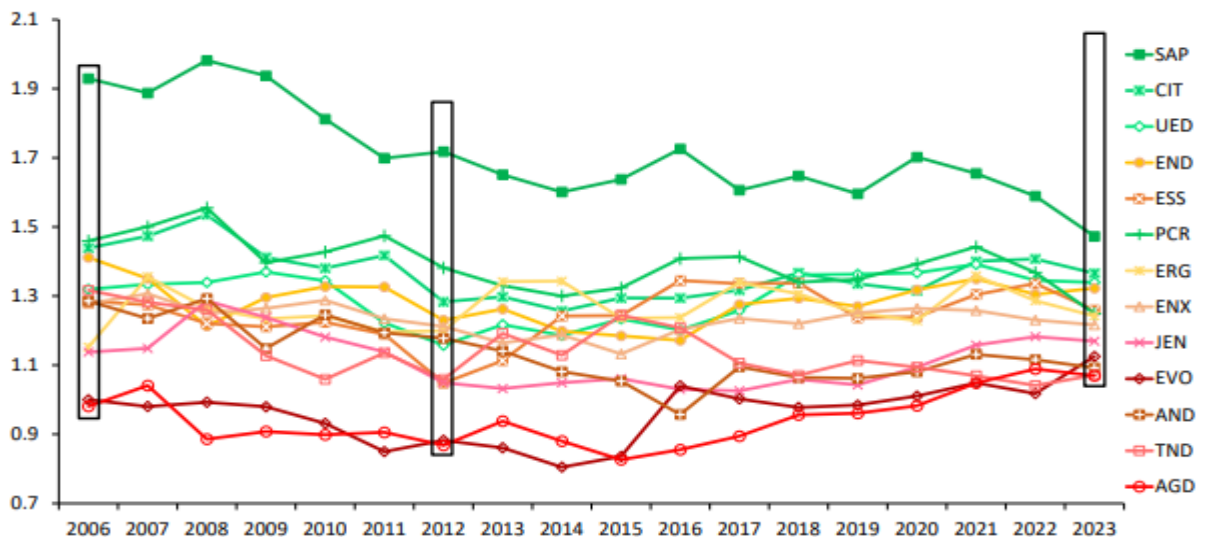


Source: ACCC analysis of retailers' data.

The second report that we note, as with the ACCC report was released after the main work was undertaken on the RP by SAPN, is the AER's Annual Benchmarking Report - Electricity distribution network service providers.<sup>12</sup>

With respect to SAPN, the reports shows that their Multilateral Total Factor Productivity (MTFP) continues to be the best of all DNSP's in Australia, albeit with continually declining MTFP.

**Figure 3 MTFP indexes by individual DNSP, 2006–23**

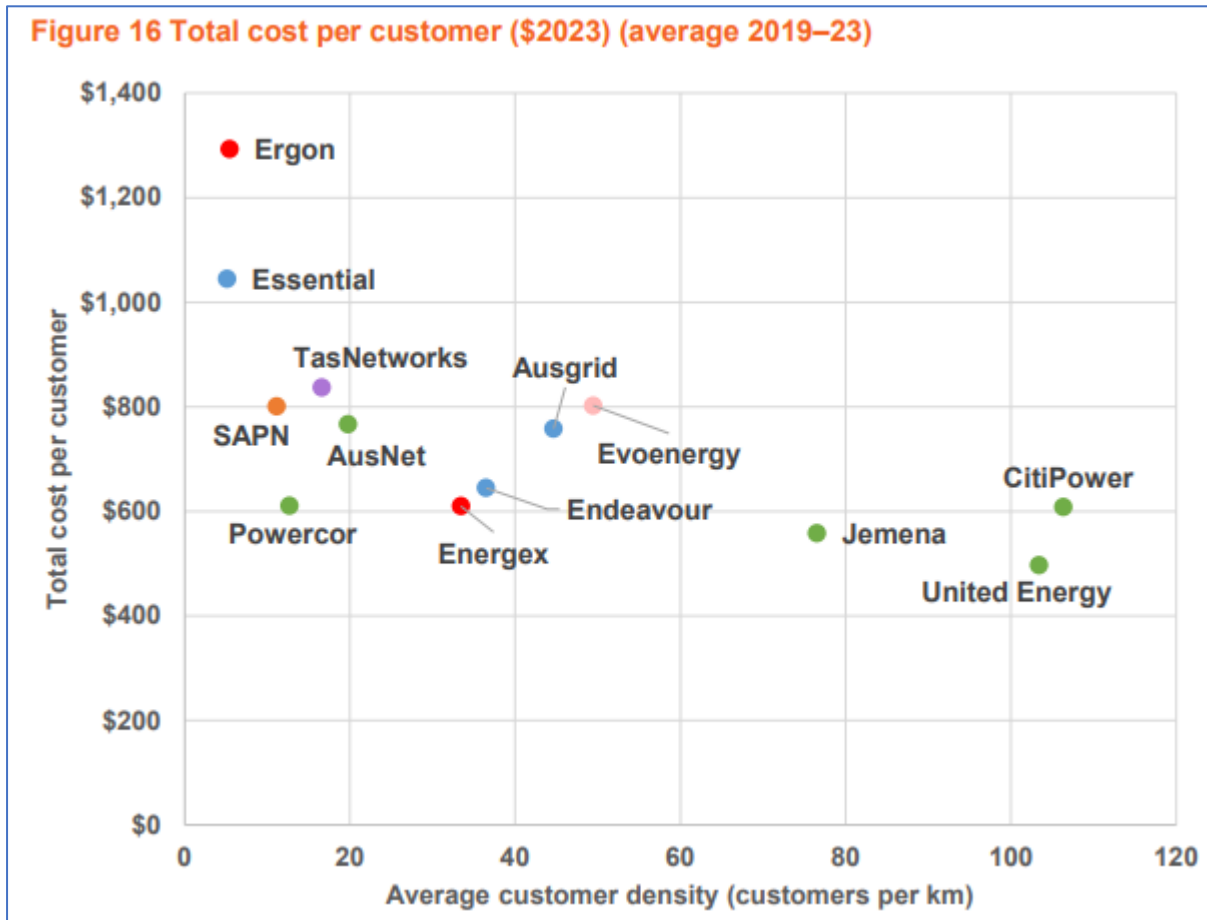


Source: Quantonomics; AER analysis.

<sup>12</sup>[Report template](#)

The report also shows that for SAPN, distribution network costs per customer, averaged 2019-23 were the fourth highest in Australia, behind Ergon, Essential and TasNetworks.

**Figure 16 Total cost per customer (\$2023) (average 2019–23)**



We observe from this that both SAPN and consumers are ‘right.’ SAPN’s share of consumer bills in SA does appear to be gradually declining, but bills are continuing to rise and SAPN remains a very profitable business.

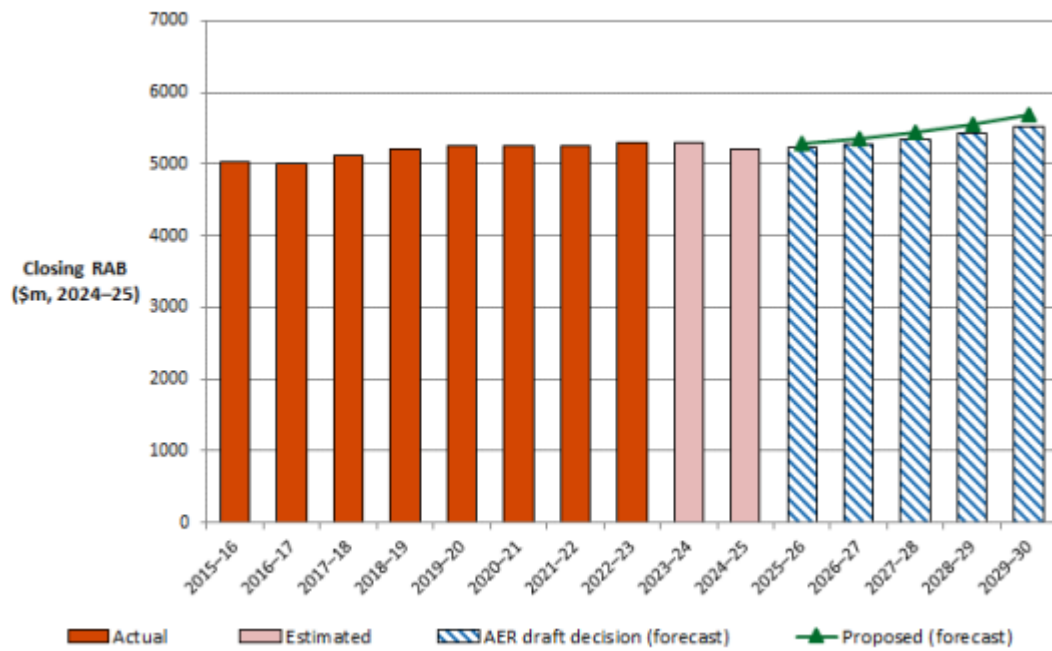
The question as to whether SAPN could have made more of a contribution to reducing their costs for 2025-30 remains valid, particularly since significant full depreciation of assets and ending the FiT pass through in 2028 both provide opportunities for greater reductions in electricity bills.

Rising Regulated Asset Base (RAB)

While SAPN can claim that their share of bills paid by SA consumers is declining, their proposed increased capex would increase the RAB in each year of the 2025-30 regulatory proposal, providing a basis for higher DUOS charges for future customers.



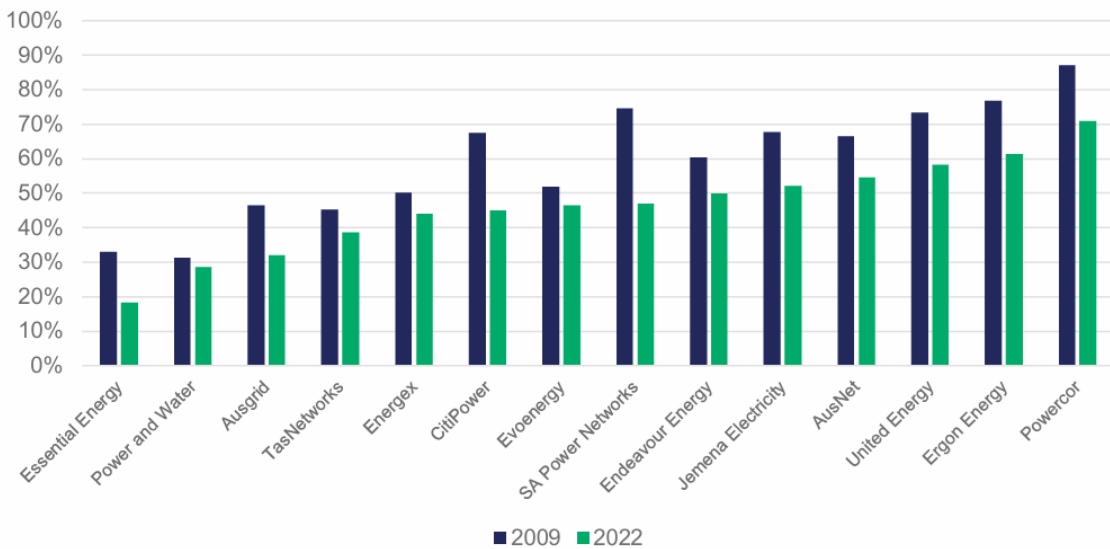
**Figure 3 SA Power Networks' RAB value over time (\$ million, 2024–25)**



Source: AER analysis.

Energy Consumers Australia have reported on “Electricity distribution network utilisation” in August 2023<sup>13</sup> including the following chart showing peak utilisation rates for the Australian DNSP’s, comparing the utilisation rates in 2009 and 2022.

**Peak utilisation rates for distribution networks in the NEM – 2009 and 2022<sup>16</sup>**



The chart shows that for the decline in network utilisation over the 13 years to 2022 is amongst the largest of the Australian networks.

<sup>13</sup> [Electricity distribution network utilisation – why it’s important to consumers, and why we need to update how we measure it](#)

Noting the information summarised above, CCP30 observes that there remain some awkward tensions in and aligned with the RP – simmering rather than erupting, these tensions include:

- Substantial engagement but no clear agreements on some topics
- SAPN listened carefully, but limited capacity for engagement to influence large parts of the proposal
- SAPN has provided substantial ‘bottom up’ justification for a number of projects, particularly capex related, but less focus on the net, ‘top down’ impacts of the aggregated projects and spending on customers.
- Affordability concerns constantly highlighted, with SAPN genuinely concerned about affordability impacts on people, while returns to the business remain well above regulated revenue
- Affordability concerns constantly highlighted with opportunities for lower bills not fully taken as FiT ends in 2028 and substantial depreciation comes from asset base
- Regular mentions of reliability risk from SAPN while general reliability improves
- Increases in capex and opex sought while network utilisation and total factor productivity are both falling
- Increases in capex and opex sought against a history of underspend and claiming CESS and EBSS efficiency dividends.

We have deliberately used the word “tensions” for the above so as to not suggest “good vs bad” but that these tensions have no easy answers and perspectives will change over time. We think though that the tension remain important to recognise as varying responses to these tensions impact different stakeholder and consumer groups differently. Awareness of the impacts and who is most impact are crucial.

We return to the notion of a ‘reasonableness test’ for SAPN’s Revised Proposal. CCP30 opines that the RP is not unreasonable but could have been more ‘reasonable,’ particularly for households and small businesses that are really struggling to reign in rising costs, including for energy.

We suggest that this sentiment is in line with the following 2 paragraphs from the CAF and RAG forward to the RP, where chairs Andrew Nance and Chris Marsden write:

*“We would like consumers to understand that the engagement process has very little influence over the total revenue (due primarily to the current regulatory processes), rather we have been able to influence the ways the proposed expenditure will deliver the outcomes that matter the most to customers.*

*Given the proposal’s volume of information (around 100 separate documents), and the diversity of CAF members, consensus was not possible on the Proposal or the Revised Proposal. We highlight that SA Power Networks has been very much aware of the CAF’s concerns about balancing service levels, an ageing network with the pricing and affordability of an essential service to SA.”*

If the consumers, advocates and stakeholders participating in the engagement in the regulatory process were asked whether the SAPN Revised Proposal was “capable of support”, we suggest that many of the responses would be a muted “yeah – suppose so.”

There would be clear recognition that a comprehensive and exhaustive engagement process has been undertaken and that the diversity of views expressed have been heard, though some voices would likely say that there has been limited response to important matters that they have raised.

CCP30 observes that this in part reflects the complexity of the regulatory process and the substantial uncertainty about the energy transition and future electricity arrangements.

We think it also appropriate to recognise the massive amount of time, energy and goodwill that has been contributed to the process over at least three years by people representing the perspectives of consumers and stakeholders, by SAPN staff and by AER staff, all seeking a better outcome for consumers, from different standpoints. CCP30 members say “thankyou” to each of you.