



**Submission to the Australian Energy Regulator on SA Power
Networks' 2025-30 Revised Regulatory Proposal**

January 2025

Submission to the AER on SA Power Networks' 2025-30 Revised Regulatory Proposal.

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Introduction

The South Australian Council of Social Service (SACOSS) is the peak non-government representative body for non-government health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. SACOSS does not accept poverty, inequity or injustice. Our mission is to be a powerful and representative voice that leads and supports our community to take actions that achieve our vision, and to hold to account governments, businesses, and communities for actions that disadvantage South Australians experiencing vulnerability.

SACOSS' purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantaged and low-income consumers in South Australia. With a strong history of community advocacy, SACOSS and its members aim to improve the quality of life for people disadvantaged by the inequities in our society.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows the cost of basic necessities like water and electricity disproportionately impacts people on low-incomes or experiencing disadvantage. SACOSS participates and engages in regulatory processes relating to the provision of essential services to promote better outcomes for South Australian households, and to ensure people's needs are met by affordable, clean, reliable and efficient energy and water systems.

SACOSS would like to thank the Australian Energy Regulator (AER) for the opportunity to comment on its Draft Decision¹ and *SA Power Networks' 2025-30 Revised Regulatory Proposal*² (the Revised Proposal). This submission represents the final opportunity for feedback in the statutory engagement process associated with SA Power Network's Regulatory Determination for 2025-30. Over the past three years, SACOSS participated in SA Power Networks' (SAPN's) extensive engagement program and provided the following submissions to the AER and SA Power Networks through the Regulatory Determination process:

- SACOSS, [Submission to the AER on the SA Power Networks' Electricity Distribution Determination 2025-30 Issues Paper](#), 16 May 2024
- SACOSS, [Submission on SA Power Networks' 2025-30 Draft Regulatory Proposal](#), 13 September 2023
- SACOSS, [Submission to the AER on the Preliminary position paper: Framework and Approach, SA Power Networks RD 2025-30](#), 21 April 2023

¹ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024

² SA Power Networks, [2025-30 Revised Regulatory Proposal](#), December 2024

SACOSS' previous submissions on the importance of energy affordability and equity in balancing price and service levels remain relevant, and we are seeking the AER consider those submissions as part of this consultation.

Energy affordability remains of primary concern to SACOSS. Recent analysis of retail data shows electricity prices in South Australia are at a ten-year high,³ low-income households are facing complex and punitive tariff structures they are unable to respond to,⁴ and inequitable network cost recovery is being fuelled by record levels of rooftop solar penetration in this State. SACOSS suggests SAPN and the AER's bill impact analysis based on an 'average customer' fails to account for, or acknowledge, the changing energy landscape and the impact of rooftop solar and batteries on 'average' consumption profiles. As SACOSS has noted on numerous occasions throughout the engagement process, there is no 'average customer' or 'average consumption level', and the impacts of networks costs are not equitable distributed. This issue underpins the importance of ensuring SAPN recovers no more than is necessary for the safe and reliable delivery of network services in South Australia.

This submission will touch on several themes, including whether affordability concerns have been reflected in SAPN's proposal, the inputs used by SAPN to forecast demand, the fairness of consumers paying for the innovation program of a profitable business, the impacts of the Early Signal Pathway process, and the need to re-examine tariff policy.

Summary of Submissions

In summary, we make the following Submissions:

- We question whether SA Power Networks done all that it can to respond to stakeholders' affordability concerns
- We wish to understand how SAPN accounted for the diversity of stakeholder views on affordability and the price / service balance in the Revised Proposal?
- We submit that high energy costs, the regressive nature of energy bills, growing inequitable network cost recovery and cross-subsidies from low-income and high usage households should form relevant considerations in the AER's determination of the price / service balance for SAPN's allowed revenue in 2025-30.
- We argue that in undertaking a bill impact analysis for the Final Determination, the AER should provide a comparison with average bill impacts over the 2020-25 period (as opposed to a comparison with the 2024/25 year), as well as estimates of distribution network bill impacts for higher usage households.

³ ACCC, [Inquiry into the National Electricity Market Report](#), December 2024, Appendix C: Supplementary Spreadsheet with retail data

⁴ ECA, [Consumer knowledge of electricity pricing and responsiveness to price signals: Consumer Energy Report Card](#), January 2025

- We do not accept SAPN using AEMO’s *2024 Integrated System Plan (ISP) Central forecast* for the purpose of its ‘bottom-up planning and expenditure forecasting’.⁵
- We strongly submit the AER should review and update all demand forecasting in the Revised Proposal using the forecasts contained in AEMO’s more recent *2024 Electricity Statement of Opportunities (the 2024 ESOO)*. At the very least, a counterfactual of all SAPN’s demand forecasting should be undertaken using the 2024 ESOO.
- We seek clarification on how SAPN has reconciled its forecast 20% increase in electricity volume throughput with projections of increased solar PV, batteries and VPPs
- We consider the AER and SAPN should exercise caution in undertaking revenue smoothing predicated on the promise of future bill relief associated with the abolishment of the Feed-in-Tariff Scheme, especially in circumstances where the State Government is currently considering the introduction of two additional jurisdictional schemes, the costs of which will be recovered through network tariffs.
- In relation to SAPN’s capital expenditure proposals we submit the AER should:
 - Continue to ensure all expenditure meets the capex criteria set out in the Rules, including the \$16m in expenditure associated with the proposed Innovation Fund.
 - Update the demand forecasts contained in the Revised Proposal using AEMO’s 2024 ESOO and determine whether any 2025-30 expenditure on can be reasonably deferred.
 - Continue to closely examine whether the risks of the ageing network are overstated.
 - Consider whether the proposed expenditure uplift is realistic.
 - Place a higher importance on affordability considerations in an assessment of the service / price balance underpinning expenditure proposals.
 - Consider the impact of greater smart-meter penetration in 2025-30 on improved network utilisation to reduce infrastructure spending.
 - Ensure SAPN is utilising its existing network assets in lieu of new infrastructure investment.
 - Continue to undertake a robust assessment of SAPN’s business cases and the scope for deferral of expenditure proposals based on revised demand forecasts or borderline consumer benefit.

⁵SA Power Networks, [SAPN, 5.4.2 Augex Capacity December 2024](#), p. 15

- We do not support additional capital or operating expenditure to support innovation through the Innovation Fund (\$16m for capex and \$4m for opex), as we consider SAPN could draw on its significant profits to undertake innovative projects as part of usual prudent forward-looking business practices.
- We submit that the AER should consider the inequitable impact of additional funding for innovation recovered through network costs (based on grid consumption).
- Given previous and consistent opex underspends by SAPN since 2015-16, we are asking the AER to assure South Australian energy consumers that the operating expenditure forecasts are realistic and deliverable.
- We are seeking assurances from the AER that consumers are not contributing to network incentive scheme revenue through overestimation of network expenditure.
- We are seeking the AER explain the significant change in the EBSS carryover loss, from the Original Proposal amount of -\$20m to -\$115m in the Revised Proposal.
- We are strongly supportive of the AER's amendments to SAPN's service classification for metering 'data services', and we consider the drafting of those amendments provides sufficient scope to accommodate the relevant Rules on data as determined by the AEMC as part of its consultation on Energy Consumers Australia's Rule Change Request
- We consider that it is time for the AER to re-examine its tariff policy and to have regard to the real-world impacts of 'cost-reflective' network tariffs, as opposed to theoretical modelling undertaken by networks and economists.
- We consider that it is important for consumers to have transparency around projected volume forecasts, and we are seeking SAPN update the information in the Tariff Structure explanatory statement using the 2024 ESOO.
- We are calling on the AER to adopt a consumer harm / risk minimisation objective: *'To avoid exposing consumers to risks they are ill-equipped to understand, manage or price'*.
- We believe that affordability concerns raised by SACOSS and others were not adequately or substantively addressed by SAPN in its Original or Revised Proposal.
- We submit that SAPN should consider accepting a lower allowance, with deferred expenditure, that would better deal with widespread affordability concerns and would arguably not impact reliability.
- We are calling on the AER to acknowledge consumer concerns around price and equity, and to prioritise affordability considerations in its Final Determination.
- We are calling on the AER to review the Better Resets Handbook and the Early Signal Pathway process, and to undertake an analysis of the costs / benefits / impacts of that process on consumers and networks' allowed expenditure.
- We would like to see a cost benefit analysis of SAPN's engagement process, including the cost of the process, both financial and time costs, the impact consumers had on the proposal and the identified long-term benefits for consumers.

SA Power Networks' Regulatory Proposal 2025-30

SACOSS remains concerned about the unprecedented network expenditure increases approved by the AER in the Draft Decision for RD 2025-30 and the further increases proposed by SAPN in its Revised Proposal. SAPN originally proposed to recover \$5,164 million from its customers over 2025-30 which is 31.2% higher than SAPN's approved revenue for 2020-25, and in real terms would have resulted in a \$335.1 million, or 7.5%, increase in revenue for 2025-30 from the current regulatory period.⁶

The AER's Draft Decision was to allow SAPN to recover \$5,143.5m from its customers for the 2025-30 period, or \$20.5m less than SAPN's original proposal. The Draft Decision revenue is \$1,235.3m more, or 7% higher, than SAPN's allowed revenue for the 2020-25 period, with 55% of the increase driven by expenditure and 'controllable factors'.⁷ The AER estimates⁸ this would lead to an average annual increase of \$8 in residential consumer bills over 2025-30.⁹

SAPN has not accepted elements of the AER's Draft Decision and has proposed to recover \$5,168m from its customers over 2025-30. This is \$4m more than its Original Proposal and \$25m more than the AER's Draft decision. SAPN's bill analysis estimates residential bills for 2029-30 will be \$570 (based on an annual consumption of 4,000 kWh), this is \$3 more than the \$567 in SAPN's 2024-25 Pricing Proposal and \$55 more than SAPN's 2023-24 Pricing Proposal. The bill impacts for higher consumption households will be much greater.

The AER's Draft Decision projects an increase of \$1,160.1 m (22.3%) to the RAB by the end of the 2025-30 period, with a projected closing RAB of \$6,361.8m (\$ nominal) as at June 2030.¹⁰ SAPN has projected a nominal closing RAB of \$6,587m at 30 June 2030, which is \$48m more than its Original Proposal and \$225.2m more than the AER's Draft Decision.

SAPN acknowledges its RAB is projected to grow in real terms by 9% over the 2025-30 period, but points to a forecast 20% increase in the volume of electricity delivered to

⁶ Australian Energy Regulator, [SA Power Networks Electricity Distribution Determination 2025-30: Issues Paper](#), March 2024, p. 5

⁷ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024, p. vii

⁸ SACOSS questions the AER's bill impact analysis, noting the AER have used the reference point of 2024-25 networks prices (which increased by over \$50 from 2023-24 prices even with a \$67m true-up) and an 'average' consumption of 4,000kWh which is well below the grid consumption of hardship and payment plan households in this state.

⁹ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024, p. 5

¹⁰ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024, p. 12

customers, which SAPN says will reduce the RAB value per kWh of electricity delivered by 9% or 5 cents/kWh over the 2025-30 period. SACOSS has serious questions about SAPN's inputs into this analysis. We do not accept SAPN's demand forecasting, and we once again note the significant impact of rooftop solar PV on grid delivered electricity volumes to residential customers. SACOSS questions how SAPN reconciles the forecast 20% increase in electricity volume throughput with projections of increased solar PV, batteries and VPPs?

SA Power Networks' profitability

It is important to acknowledge that SAPN is a very profitable business. The AER's Financial Performance data for 2024¹¹ published in the spreadsheet supporting the 2024 *Electricity and Gas Networks Performance Report*¹² shows SAPN achieved operating profits well above allowed returns in 2023 (see Figure 1, below):

- In 2023 SAPN's return on assets (RoA)¹³ was 10.39%, **more than double** the allowed rate of return of 4.65% (a difference of 5.74%). This is the greatest difference between the allowed rate of return for SAPN and its return on assets since the data was reported in 2014. The next highest difference was 3.37% in 2022.
- In 2023 SAPN's return on regulated equity was 26.08%, or **more than five times** the allowed return on equity of 4.65% (a difference of 21.52%). This is by far the highest difference in return on regulated equity since data was reported by the AER in 2014.¹⁴
- Between 2020-2023, SAPN accumulated \$152,267,968.00 in allowed revenue through incentive schemes, with \$46,610,918 in incentive scheme revenue in 2023 alone, the highest amount since 2014.¹⁵
- SAPN's earnings before interest and tax (EBIT) in 2023 was \$472,549,325 – the highest amount since 2015.

¹¹ AER, [Financial performance data 2024 – Electricity Networks](#), Detailed Calculations, SAPN, Excel, September 2024

¹² AER, [2024 Electricity and Gas Networks Performance Report](#), Detailed Calculations, SAPN, Excel, September 2024

¹³ The AER states: 'Our best measure of the financial performance of networks and whether they have achieved the NEO and NGO is the return on assets (RoA) measure, which reports on whether networks have achieved operating profits above their allowed returns.' See AER, [2024 Electricity and Gas Networks Performance Report](#), September 2024, p.4

¹⁴ The AER notes: 'Although not impacting the RoA and EBIT per customer, inflation has significantly impacted the return on regulated equity (RoRE) profitability measure which reports on the final or ultimate returns to a network's equity holders, after subtracting a network's debt and taxation costs.' AER, [2024 Electricity and Gas Networks Performance Report](#), September 2024, p.4

¹⁵ AER, [Financial performance data 2024 – Electricity Networks](#), Detailed Calculations, SAPN, Excel, September 2024

Summary										
Returns on assets	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on assets	14.11%	13.18%	8.36%	7.08%	8.07%	7.53%	8.35%	6.29%	8.10%	10.39%
Allowed rate of return	11.72%	11.72%	6.96%	6.97%	6.96%	6.92%	6.87%	4.91%	4.73%	4.65%
Difference	2.39%	1.45%	1.40%	0.11%	1.10%	0.61%	1.47%	1.38%	3.37%	5.74%

Source:
Post tax revenue model - Pre-tax real WACC - 2014 to 2023

EBIT per customer (\$)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EBIT per customer (\$)	580.22	566.96	367.82	313.13	354.57	341.27	388.70	300.22	387.07	509.50

Return on regulated equity	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on regulated equity	26.17%	21.01%	14.78%	8.81%	12.78%	11.92%	15.22%	11.83%	19.03%	26.08%
Allowed return on equity	11.09%	11.09%	7.50%	7.50%	7.50%	7.50%	7.50%	4.56%	4.56%	4.56%
Difference	15.08%	9.92%	7.28%	1.31%	5.28%	4.42%	7.72%	7.27%	14.47%	21.52%

Source:
Post tax revenue model - Post tax real return on equity - 2014 to 2023

Figure 1: SAPN Financial Performance Data. Source: AER, 2024¹⁶

Against the background of increasingly unaffordable energy, a significant proposed uplift in allowed expenditure for 2025-30, and record 2023 profits for the business, SACOSS asks the following questions:

- Has SA Power Networks done all that it can to respond to stakeholders' affordability concerns?
- Is SAPN 'playing the incentive game' by overestimating capital and operating expenditure, then underspending during the regulatory period? SAPN has consistently underspent forecast operating expenditure since 2015-16, and underspent forecast capital expenditure between 2015-2022, with significant capex underspends in 2015-2017.¹⁷
- Given previous underspends can consumers have confidence in SAPN's proposed expenditure?
- Is SAPN using existing infrastructure effectively to avoid unnecessary infrastructure investment?
- Has SAPN overstated the drivers of expenditure, including forecast demand, risks associated with an 'ageing network' and consumers' service level preferences?
- It is broadly accepted that there is significant uncertainty in projected future energy volumes delivered per customer (given improvements in appliance efficiency, rooftop solar and battery storage which will decrease the necessity of energy being sourced from the grid) how has SAPN accounted for this uncertainty in its Proposal?
- Given the worsening energy affordability crisis in South Australia and the increasingly inequitable recovery of network costs, how has SAPN accounted for the diversity of views on service level preferences within the Revised Proposal?

As outlined below, energy prices are at record highs, disproportionately impacting low-income households in this State. Additionally, network costs are inequitably recovered through grid-consumption, resulting in cross-subsidies between solar and non-solar (higher grid-consumption) households. SACOSS suggests it has never been more important to

¹⁶ AER, [Financial performance data 2024 – Electricity Networks](#), September 2024

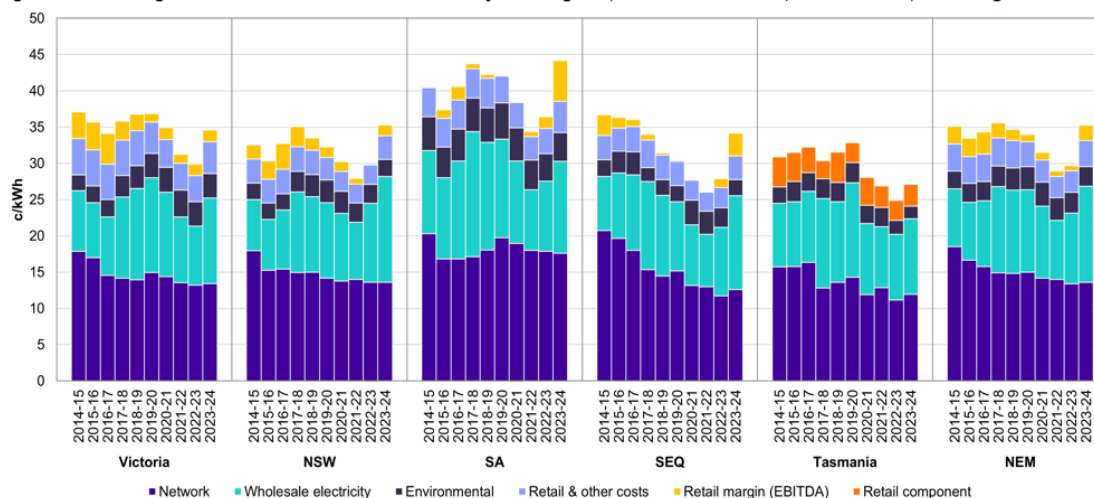
¹⁷ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024, p. 17 and p. 20

ensure South Australian energy consumers pay no more than is necessary for the safe and reliable delivery of network services, both now and into the future.

Electricity costs and affordability in South Australia

The ACCC’s December 2024 *Inquiry into the National Electricity Market Report*¹⁸ analysed electricity retailer costs and margins for the 2023-24 financial year. In 2023-24, South Australian households faced the highest effective electricity costs in a decade - the highest of all National Energy Market Regions - with the entire cost stack increasing by 24% on 2022-23 levels¹⁹ (see Figure 2, below).

Figure C7.2: Average residential customer effective cost by NEM regions, 2014–15 to 2023–24, real \$2023–24, excluding GST



Source: ACCC analysis based on retailers' data.

Note: Small negative EBITDA for 2021–22 SEQ not shown for readability. The small negative EBITDA for 2021–22 SEQ means that actual total cost stack is lower than the sum of the cost components shown.

Figure 2: Average residential customer effective cost by NEM regions, 2014-15 to 2023-24, real \$2023-24, exc GST. Source ACCC, 2024²⁰

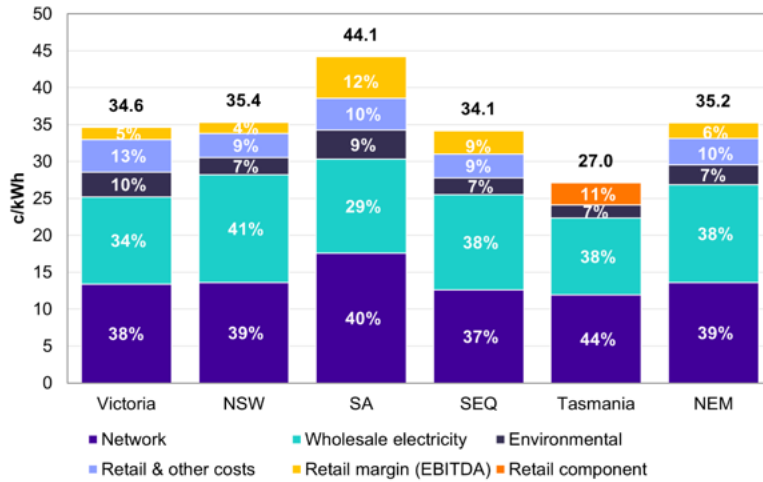
The ACCC’s analysis also shows that South Australians continue to pay the highest effective price for electricity in the Nation, at 44.1 c/kWh, with average residential customer effective network costs representing 40% of the cost stack in 2023-24 (see Figure 3, below).

¹⁸ ACCC, [Inquiry into the National Electricity Market Report](#), December 2024

¹⁹ ACCC, [Inquiry into the National Electricity Market Report](#), December 2024, p. 69

²⁰ ACCC, [Inquiry into the National Electricity Market Report](#), December 2024, Appendix C: Supplementary Spreadsheet with retail data

Figure C7.1: Average residential customer effective costs by NEM regions, 2023–24, nominal, excluding GST

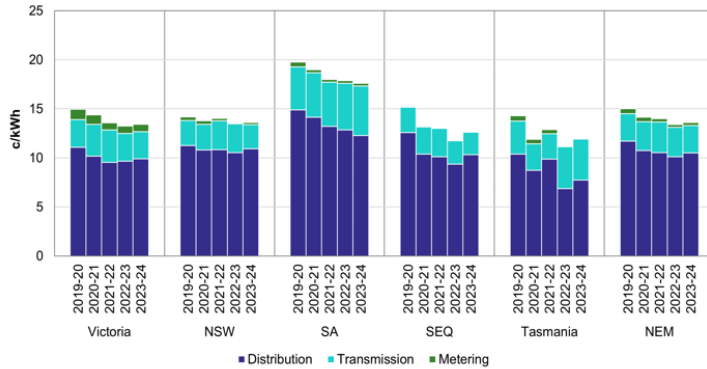


Source: ACCC analysis based on retailers' data.

Figure 3: Average residential customer effective prices by NEM Regions 2022-23. Source ACCC, 2024²¹

South Australian households also continued to pay the highest average effective costs for **distribution** network costs in NEM regions in 2023-24 (12.3 c/kWh) (see Figure 4, below).

Figure C8.2: Average effective cost for network costs per residential customer by NEM regions, 2019–20 to 2023–24, real \$ 2023-24, excluding GST



Source: ACCC analysis based on retailers' data.

Note: Network proportions for distribution, transmission and metering were provided by distribution operators from 2016–17 onwards.

Figure 4: Average effective costs for network costs per residential customer by NEM regions, 2019-20 to 2023-24, real \$ 2023-24, excluding GST. Source ACCC, 2024²²

Whilst the ACCC found there had been a very small decrease in South Australian electricity prices as at August 2024,²³ this is likely to be reflective of the small 2.2% decrease in the

²¹ ACCC, [Inquiry into the National Electricity Market Report](#), December 2024, Appendix C

²² ACCC, [Inquiry into the National Electricity Market Report](#), December 2024, Appendix C: Supplementary Spreadsheet with retail data

²³ ACCC, [Inquiry into the National Electricity Market Report](#), December 2024, p. 19

Default Market Offer for 2024-25 (DMO 6).²⁴ SACOSS suggests the 24% increase in 2023-24, coupled with a small 2.2% decrease in 2024-25, points to a stabilisation of energy prices at very high levels for 2024-25 (even with affordability considerations prioritised by the AER).

South Australian households are currently struggling to pay for energy to meet their basic needs, as evidenced by the AER's recent Annual Retail Markets Report for 2023-24:²⁵

- South Australia has the highest average residential energy debt in NEM jurisdictions. South Australia has had the highest levels of average residential energy debt for the past 3 financial years.²⁶
- The average energy debt of (non-hardship) residential customers in SA is \$1,522 (up from \$1,256 in 2022-23), \$374 above the National average of \$1,148. Average energy debt of (non-hardship) residential customers in SA has increased by 21% or \$266 in 12 months.²⁷
- Even with government energy bill relief, the number of customers repaying energy debt has increased over the past two years from 23,182 in 2021/22, to 27,380 in 2023/24 (up by 18%).²⁸
- Average debt of hardship customers in SA has decreased in the last 12 months – from \$2,402 in 2022/23, to \$2,174 in 2023/24, but is still \$487 above the National average of \$1,687 (and is up \$311 from pre-pandemic levels of \$1,863 in 2018-19).²⁹

South Australian are experiencing an energy affordability crisis and governments, market bodies and businesses must do all they can to address this issue. Energy costs are regressive, with high energy prices disproportionately impacting the lives and livelihoods of low-income households.

Forecast Annual Distribution Bill impacts

Annual distribution bills impacts have been presented by both the AER and SAPN in comparison to the 2024/25 distribution bill component of the cost stack, based on an annual consumption of 4,000 kWh. On this basis, SAPN projects the residential customer distribution bills for 2029/30 will be \$570 under the Revised Proposal and \$567 under the Draft Decision, SAPN has compared this estimate to the \$613 distribution network cost component of the Default Market Offer for 2024 -25 (DMO 6). SACOSS has been unable to

²⁴ AER, [Default Market Offer 2024-25 Final Determination](#), 3 June 2024

²⁵ AER, [Annual Retail Markets Performance Report 2023/24](#), 30 November 2024

²⁶ AER, [Annual Retail Markets Performance Report 2023/24](#), 30 November 2024

²⁷ AER, [Q4 2023/24 Retail Markets Data](#), 30 November 2024

²⁸ AER, [Q4 2023/24 Retail Markets Data](#), 30 November 2024

²⁹ AER, [Q4 2023/24 Retail Markets Data](#), 30 November 2024

confirm this \$613 figure from DMO 6. The AER estimates (based on the Draft Decision) SAPN's proposed expenditure would lead to an average annual increase of \$8 in residential consumer bills over 2025-30.³⁰

The AER's *2024-25 Annual Pricing Proposal*³¹ published in May 2024 saw an increase of \$51 for 'average annual' distribution network charges for South Australian households for 2024-25, increasing from \$516 in 2023-24, to \$567 in 2024-25. This increase occurred even after taking into account the lowering of SA Power Networks allowed 2024/25 revenue by \$67m due to an over recovery of expenditure association with minor cable and conductor repairs.

In its calculation of 'average' annual network charges, the AER's Pricing Proposal uses an 'average' residential grid electricity usage of 3,814kWh. The AER used a model annual usage of 4,000 kWh (or around 1,000kWh a quarter) to determine Default Market Offer (DMO) 6 for South Australia.

SACOSS submits that 'average annual usage' calculations used by the AER and SAPN to measure 'average bill impacts' and affordability, do not adequately consider the impact of lower grid consumption due to roof-top solar penetration, or the higher energy consumption patterns of households experiencing energy hardship or payment difficulty.

The AER's *Annual Retail Market Report* for 2023/24³² found that South Australia had the lowest average annual household electricity usage in the nation due to high rooftop solar penetration (SA is 4,237kWh, and Tasmania is 7,855 kWh – **85% higher than SA**).

Further compounding the growing energy divide in South Australia is the higher grid consumption of households experiencing energy hardship and payment difficulty. The ACCC's June 2024 *Inquiry into the National Electricity Market Report*³³ shows the annual grid usage by different residential customer groups in South Australia (see Figure 5, below):

³⁰ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024, p. 5

³¹ AER, [Statement of Reasons, SA Power Networks 2024-25 Annual Pricing Proposal](#), May 2024

³² AER, [Annual Retail Markets Performance Report 2023/24](#), 30 November 2024

³³ ACCC, [Inquiry into the National Electricity Market Report](#), June 2024, Appendix E

Figure A3.21: Annual grid usage by residential customer groups in SA

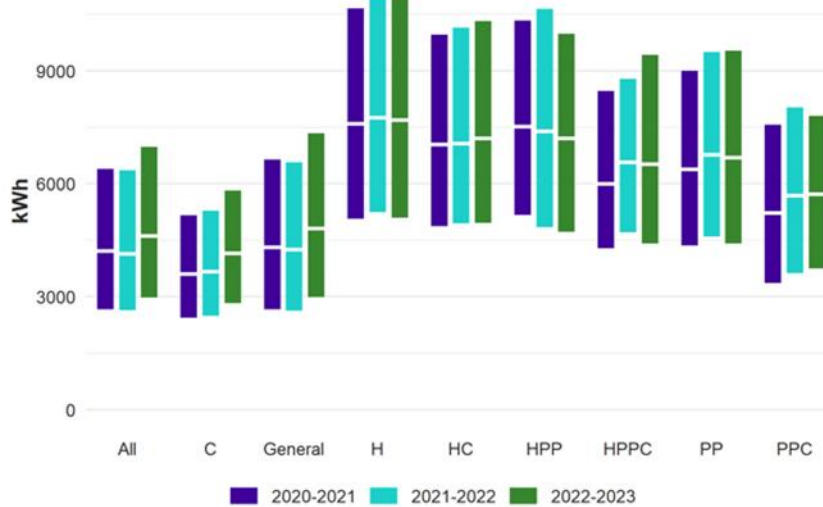


Figure 3: Annual grid usage by customer group. Source: ACCC, June 2024³⁴

The ACCC’s data (from billing information) shows the median grid usage for hardship customers (not on a concession) for 2022-23 was 7,684 kWh, with hardship customers on the 75th percentile using 11,035 kWh in that year. The median usage of a hardship customer was **66% higher** than the median usage of a South Australian residential customer in 2022-23, leading to much higher bills. For customers on a payment plan (not receiving a concession) median usage was 6,686 kWh for 2022-23 and up to 9,535 kWh for the 75th percentile.

Looking at usage on a quarterly basis, for quarter 3 in South Australia across 2020 – 2023, the median grid consumption for *all* South Australian residential customers in Q3 2023 was 1047 kWh, for customers *not in the other identified groups* (not hardship customers, concession customers or payment plan customers etc.), median usage was 1061kWh (about the same as the AER’s average annual usage). For customers on a hardship plan in South Australia, the median usage for Q3 2023 was 1,960 kWh, or **84% higher than customers not in the other identified groups**.³⁵

The ACCC noted that usage tends to be highest in quarter 3 each year, but hardship and payment-plan customer groups have median usage significantly above 1,000 kWh per quarter **at all times of year**. The ACCC stated that:³⁶

³⁴ ACCC, [Inquiry into the National Electricity Market Report](#), June 2024, Appendix E

³⁵ ACCC, [Inquiry into the National Electricity Market Report](#), June 2024, Appendix E

³⁶ ACCC, [Inquiry into the National Electricity Market Report](#), June 2024, p.46

*‘Higher usage among some customer groups could be driven by these groups having more people per household. **Another factor could be that these households are less able to afford (or are otherwise restricted from accessing) more energy-efficient housing, appliances, and rooftop solar.** This is particularly relevant for customers who rent their homes, as they typically don’t have control over most of these factors.’*

Increased usage means increased bill impacts. In terms of the recovery of fixed network costs and jurisdictional scheme amounts linked to network charges, this means higher grid consumption households are cross-subsidising households that can avoid grid consumption by accessing energy from behind the meter. SACOSS has consistently highlighted the regressive nature of electricity bills and the disproportionate impact on low-income households, as demonstrated in research from Energy Consumers Australia and the CSIRO.³⁷

SACOSS submits the inequitable network cost recovery and cross-subsidies from low-income and high usage households should be a consideration in the AER’s determination of the price / service balance for SAPN’s allowed revenue in 2025-30.

SACOSS makes the following comments in relation to the calculation of distribution network bill impact projections for South Australian households:

- Providing pricing comparisons for 2025-30 based on the distribution network charges for 2024-25 fails to acknowledge the 9% increase in network charges paid by energy consumers this year. SACOSS suggests the AER provide a comparison with average bill impacts over the 2020-25 period.
- Using average annual usage amounts of around 4,000 kWh fails to account for the impact of roof top solar on average annual usage amounts. SACOSS is calling on the AER to provide estimates of distribution network bill impacts for higher usage households.

Demand and Consumption Forecasting

SACOSS is extremely concerned about SAPN’s updated demand forecasts underpinning the Revised Proposal. We do not accept SAPN using AEMO’s *2024 Integrated System Plan (ISP)* Central forecast for the purpose of its ‘bottom-up planning and expenditure forecasting’.³⁸ We strongly submit the AER should review and update all demand forecasting in the Revised Proposal using the forecasts contained in AEMO’s more recent *2024 Electricity Statement of Opportunities* (the 2024 ES00).

³⁷ ECA & CSIRO, 2023, [Stepping Up: A smoother pathway to decarbonizing homes](#)

³⁸ SA Power Networks, [SAPN, 5.4.2 Augex Capacity December 2024](#), p. 15

We strongly disagree with the findings of SAPN and its consultants Endgame Economics that it would be ‘imprudent’ to incorporate the more recent growth rates and inputs from the 2024 ESOO, on the basis that:³⁹

- it would be too time consuming, impractical and susceptible to risk of error,
- there is a lack of transparency in the justification for the latest trend predictions in the 2024 ESOO.

SACOSS questions how an update using AEMO’s 2024 ESOO is more time consuming than an update using AEMO’s 2024 ISP? Why is it impractical and riskier? These statements remain unexplained in the Revised Proposal. As outlined below, SACOSS also questions the assertion that there is a lack of transparency in the justifications for the trend predictions in the 2024 ESOO.

SAPN indicated that Endgame Economics’ analysis identified:⁴⁰

‘...significant concerns with the ESOO 2024, particularly the absence of crucial updates and the presence of unexplained inflection points that deviate from expected sector trends. This assessment reinforced our decision to rely on the ISP 2024 for our demand forecasting.’

We strongly disagree with this assessment. AEMO’s 2024 ESOO is the most recent and up to date consumption and demand forecast available, using updated inputs and assumptions which are clearly and thoroughly detailed in the *2024 Forecasting Assumptions Update* from 29 August 2024.⁴¹ The *2024 Forecasting Assumptions Update* (and associated *Forecasting and Assumptions Update Workbook*) complement the *2023 Inputs and Assumptions Scenarios Report*⁴² (2023 IASR) which was used to develop the 2024 ISP. The 2024 ISP is therefore based on older, less up-to-date inputs and assumptions than the 2024 ESOO.

Endgame Economics’ Report states that:⁴³

*‘...the ESOO demand forecast development process is **more consultative as opposed to the ISP process** which is more dependent on sector forecasts and surveys developed by AEMO and their consultants.’*

³⁹ SA Power Networks, [SAPN, 5.4.2 Augex Capacity December 2024](#), p. 15

⁴⁰ SA Power Networks, [SAPN, 5.4.2 Augex Capacity December 2024](#), p. 16

⁴¹ AEMO, [2024 Forecasting Assumptions Update](#), 29 August 2024

⁴² AEMO, [2023 Inputs, Assumptions and Scenarios Report](#), July 2023

⁴³ Endgame Economics, [Demand Forecast Review, : SA Power Networks](#), 27 November 2024 – p. 17 and p. 27

and

*‘we recommend that SAPN uses the 2024 ISP as opposed to the ESOO 2024 because there is **a marked difference in maximum demand** between other AEMO publications which has not been explained by AEMO. The processes involved in the development of the forecasts in the ISP are also more robust compared to the ones involved in the ESOO.’*

SACOSS strongly disagrees with both these statements and we refer the AER to the following extracts from AEMO’s 54-page 2024 *Forecasting Assumptions Update*.⁴⁴

‘As for the 2023 IASR, AEMO used the work of two consultants to inform the 2024 Forecasting Assumptions Update CER forecasts. Expert advice for distributed PV and battery forecasts was provided by CSIRO and Green Energy Markets (GEM). AEMO considers that CER forecasts benefit from input from multiple independent models aligned to the same assumptions and scenario narratives. For the 2024 Forecasting Assumptions Update, AEMO has used CSIRO’s analysis for the 2023 IASR, and GEM’s 2024 analysis. CSIRO’s outlooks were translated to 2024 figures by applying GEM’s year-on-year forecast.’

As outlined by AEMO, the processes involved in the development of the 2024 ESOO were equally as ‘robust’ as those involved in the 2024 ISP, but involved more up to date modelling and assumptions. The 2024 *Forecasting Assumptions Update* used the following and more recent additional information and data sources (see Figure 6, below):

Table 3 Additional information and data sources

Organisation	Document/source	Link
AEMO	2023 <i>Inputs, Assumptions and Scenarios Report</i>	https://aemo.com.au/-/media/files/major-publications/isp/2023/2023-inputs-assumptions-and-scenarios-report.pdf
Aurecon	2023-24 Cost and Technical Parameter Review	https://aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/nem_esoo/2024/Aurecon-2024-Cost-and-Technical-Parameters-Review-Report
CSIRO	2023-24 Gencost report	https://www.csiro.au/en/research/technology-space/energy/GenCost
ACIL Allen	ACIL Allen gas price forecast for GSOO 2024	https://aemo.com.au/-/media/files/major-publications/isp/2023/iasr-supporting-material/acil-allen-natural-gas-price-forecasts.pdf
Green Energy Markets	Rooftop PV, PVNSG and battery forecast	https://aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/nem_esoo/2024/Green-Energy-Markets-2023-Consumer-Energy-Resources-Forecast-Report
CSIRO	Electrical Vehicle forecast	https://aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/nem_esoo/2024/CSIRO-2023-Electric-Vehicle-Forecast-Report
Deloitte Access Economics	Economic forecasts 2023/24	https://aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/nem_esoo/2024/Deloitte-Access-Economics-2023-24-Economic-forecast-report.pdf

Figure 4: Additional data sources used for the Forecasting Assumptions Update. Source: AEMO, 2024⁴⁵

⁴⁴ AEMO, [2024 Forecasting Assumptions Update](#), 29 August 2024, p.9

⁴⁵ AEMO, [2024 Forecasting Assumptions Update](#), 29 August 2024, p. 9

The 2024 *Forecasting Assumptions Update* also updated the following key inputs and assumptions from the 2023 IASR (Figure 7, below):

Table 6 Status and update for key inputs and assumptions

Input	Status
Historical data	<ul style="list-style-type: none"> • Updated
Consumer energy resources (including distributed PV, distributed battery storage and EVs)	<ul style="list-style-type: none"> • Updated and rebased for distributed PV • Updated for battery storage • Updated for EVs
Electrification of other sectors	<ul style="list-style-type: none"> • Rebased
Economic and population, including connections	<ul style="list-style-type: none"> • Updated
Large industrial loads, including liquified natural gas	<ul style="list-style-type: none"> • Updated
Energy efficiency	<ul style="list-style-type: none"> • Rebased
Appliance uptake	<ul style="list-style-type: none"> • Updated
Electricity prices	<ul style="list-style-type: none"> • Updated
Demand side participation	<ul style="list-style-type: none"> • Updated
Hydrogen electrolyzers	<ul style="list-style-type: none"> • Updated
Gas prices	<ul style="list-style-type: none"> • Updated

Figure 5: Update of Key inputs and assumptions in the Forecasting Assumptions update. Source: AEMO, 2024⁴⁶

As detailed in the Endgame Economics Report, the updated inputs and assumptions from the 2024 *Forecasting Assumptions Update* have resulted in a marked difference in demand and consumption forecasts between the 2024 ISP and the 2024 ESOO, with both future demand and consumption forecast to be lower under the 2024 ESOO.

Endgame Economics’ Report noted that:⁴⁷

‘We noticed that maximum demand growth is slower than annual consumption growth for the 2024 ESOO...AEMO has not explained this during our consultations and we can only speculate that they have used milder weather years or higher price elasticity assumptions to result in this outcome.’

AEMO’s 2024 *Forecasting Assumptions Update* clearly states:⁴⁸

‘The underlying price elasticity of demand that is used to give effect to the price indices and influence the consumption forecasts is as per the 2023 IASR.’

⁴⁶ AEMO, [2024 Forecasting Assumptions Update](#), 29 August 2024, p. 10

⁴⁷ Endgame Economics, [Demand Forecast Review, : SA Power Networks](#), 27 November 2024 – p. 17 and p. 31

⁴⁸ AEMO, [2024 Forecasting Assumptions Update](#), 29 August 2024, p. 41

and,

*'AEMO uses historical weather data for training the annual consumption and demand models as well as to produce traces of historical consumption across AEMO's reference year collection. The historical weather data comes from the Bureau of Meteorology (BoM), using a subset of the weather stations available in each region.'*⁴⁹

SACOSS consider the biggest impact in the updated inputs and assumptions may be due to revised EV forecasts.

It is worth noting SAPN's Original Proposal used the 2022 ESOO for its consumption and demand forecasting, and given our concerns around declining grid consumption as outlined in our Issues Paper submission, SACOSS received assurances that this would be updated using the 2024 ESOO.

SACOSS suggests SAPN is using AEMO's ISP 2024 Central Forecast as the 2024 ESOO now projects lower growth in energy consumption and maximum demand for most NEM regions than was previously forecast.⁵⁰ Endgame's Report provides several Graphs comparing the following forecasts between the 2024 ISP and the 2024 ESOO:⁵¹

- AEMO's 2024 South Australian residential and business maximum demand forecasts
- AEMO's 2024 South Australian residential and business maximum demand forecast growth rates
- AEMO's 2024 South Australian underlying annual consumption growth rates
- AEMO's 2024 South Australian underlying annual consumption forecast.

Except for the SA underlying annual consumption forecast, all of the Graphs in Endgame's Report show significantly lower levels of demand and consumption as at 2030 under the 2024 ESOO forecasts. As at 2034-35, all demand and consumption forecasts are lower under the 2024 ESOO.

AEMO's 2024 ESOO provides a comparison between actual and forecast South Australian consumption under the ESOO Central Scenario for 2023 and 2024. The Graph below shows declining operational consumption between 2014 and 2024, with the 2024 ESOO forecasting lower consumption than the 2023 ESOO through to 2030 (see Figure 8, below):

⁴⁹ AEMO, [2024 Forecasting Assumptions Update](#), 29 August 2024, p. 10

⁵⁰ AEMO, [2024 Electricity Statement of Opportunities](#), August 2024, p.4

⁵¹ Endgame Economics, [Demand Forecast Review.: SA Power Networks](#), 27 November 2024 – p. 17 and p. 30-32

Figure 65 Actual and forecast South Australia electricity consumption, ESOO Central scenario (TWh)

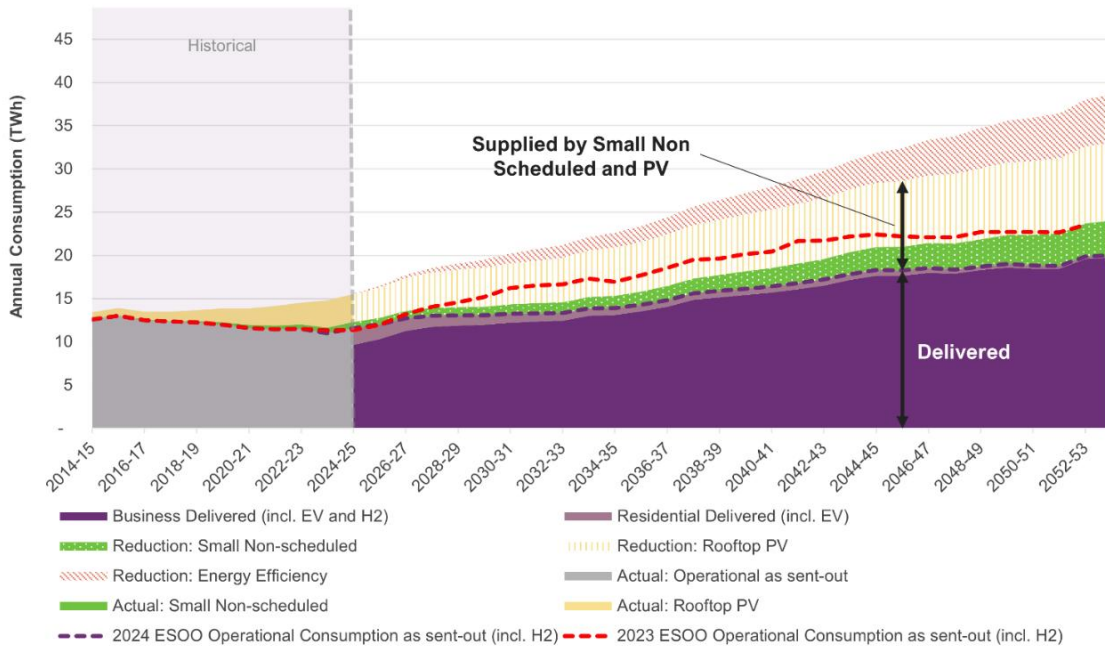


Figure 6: Actual and forecast SA electricity consumption, ESOO Central Scenario. Source: AEMO, 2024⁵²

AEMO’s 2024 ESOO provides the following residential consumption forecast for South Australia, showing a very minimal increase in residential underlying consumption as at 2030, and significantly declining residential ‘delivered’ electricity through to 2053 (see Figure 9, below):

⁵² AEMO, [2024 ESOO](#), p. 139

Figure 66 Components of South Australia residential electricity consumption forecast, ESOO Central scenario, 2024-25 to 2053-54 (TWh)

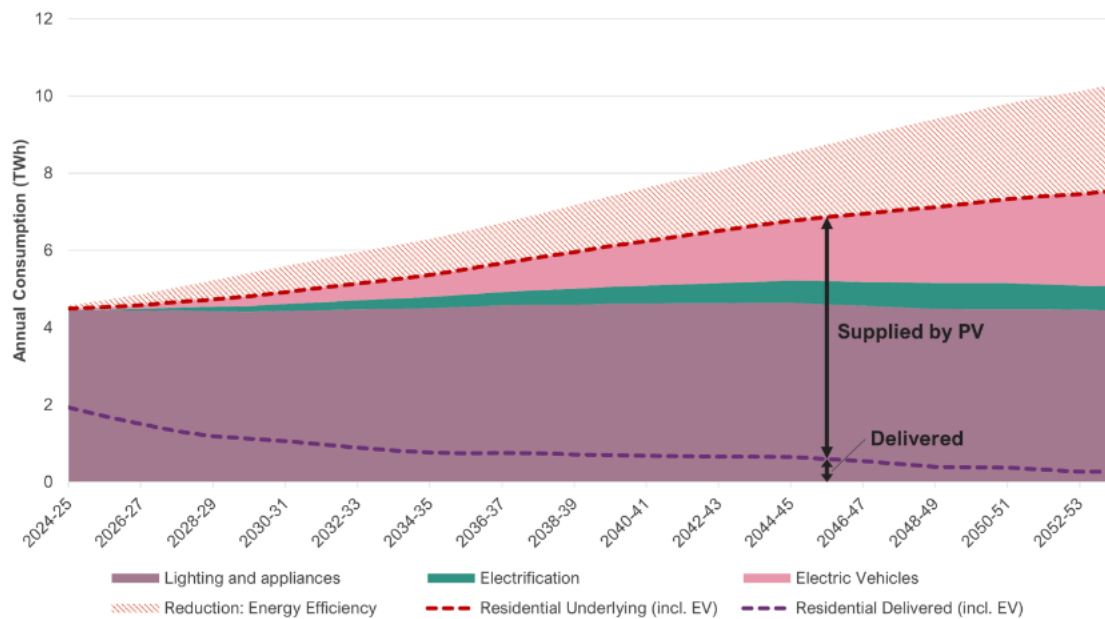


Figure 9: Residential Electricity Consumption Forecast. Source: AEMO, 2024⁵³

AEMO’s 2024 ESOO’s short term (1-10 years) forecast shows (SACOSS’ emphasis):⁵⁴

*Consumption growing steadily, driven by electrification, BMM load, hydrogen for domestic use and **LIL consumption growth**, tempered by continued uptake of distributed PV and energy efficiency investment. **Growth in residential PV generation is expected to exceed the growth in other residential consumption drivers and reduce the overall operational consumption of that sector.***

SACOSS notes SAPN have provided the AER with a letter from ElectraNet which may point to *potential* large industrial loads (LILs) coming into South Australia in the next decade. SACOSS questions what impact these potential LILs will have on the distribution network, and is asking the AER to carefully examine any potential cost impacts for residential consumers of incorporating this uncertain input into SAPN’s demand forecasting.

Demand forecasts are central to SAPN’s Original and Revised Proposal. SAPN has repeatedly linked a significant increase in forecast demand growth to demand-driven network augmentation expenditure,⁵⁵ trend operating expenditure⁵⁶, as well as a 20% increase in

⁵³ AEMO, [2024 ESOO](#), p. 140

⁵⁴ AEMO, [2024 ESOO](#), p. 141

⁵⁵ SA Power Networks, [2025-30 Revised Regulatory Proposal](#), December 2024, p. 27

⁵⁶ SA Power Networks, [2025-30 Revised Regulatory Proposal](#), December 2024, p. 29

network energy throughput dampening the future need for price increases (addressing affordability concerns).⁵⁷

As acknowledged by the AER, the importance of demand forecasting is an important driver of expenditure:⁵⁸

Maximum demand forecasts are fundamental to a distributor's forecast capex and opex, and to our assessment of that forecast expenditure. This is because we must determine whether the capex and opex forecasts reasonably reflect a realistic expectation of forecast demand for services.⁵⁹ Reasonable demand forecasts based on the most current information are important inputs to ensuring efficient levels of investment in the network.

In our submission on the AER's Issues Paper, we raised our significant concerns with SAPN's demand forecasts asked the AER to:⁶⁰

'thoroughly investigate the demand narrative, the likelihood of AEMO's demand scenarios, and the impact of increased business demand on residential costs given the reduction in residential demand and the predicted increase in rooftop solar generation.'

In the revised proposal, the AER expected SAPN to 'update the demand forecast using the latest available data and AEMO forecasts', and we are calling on the AER to ensure SAPN's demand forecasts are updated using the 2024 ESOO, which contains the latest available data and AEMO forecasts. At the very least, a counterfactual of all SAPN's demand forecasting should be undertaken using the 2024 ESOO. Consumers should not be paying for unnecessary network expenditure based on forecasts adopted to suit SAPN's business cases. Consumers also deserve to have a true picture of long-term tariff outcomes based on the most recent throughput forecasts.

Revenue Smoothing

SACOSS acknowledges the AER's Draft Decision to smooth the expected increase in revenues over the first three years of the 2025-30 period, with increases for the remaining

⁵⁷ SA Power Networks, [2025-30 Revised Regulatory Proposal](#), December 2024, p. 24

⁵⁸ AER, [Draft Decision Attachment 5 – Capital Expenditure SA Power Networks](#) p. 29

⁵⁹ NER, clauses 6.5.6(c)(3) and 6.5.7(c)(1)(iii).

⁶⁰ SACOSS, [Submission to the AER on the SA Power Networks' Electricity Distribution Determination 2025-30 Issues Paper](#), 16 May 2024, p.

two years of the regulatory period (2028-30), which both SAPN and the AER state will be 'offset by the abolishment of the solar Feed-in Tariff Scheme'.⁶¹ SAPN's Revised Proposal forecasts a 9% step increase in year four⁶² (as compared to the 5.5% identified by the AER).

SACOSS considers the AER and SAPN should exercise caution in undertaking revenue smoothing predicated on the promise of future bill relief associated with the abolishment of the Feed-in-Tariff Scheme, especially in circumstances where the State Government is currently considering the introduction of two additional jurisdictional schemes, the costs of which will be recovered from consumers through network tariffs (linked to grid consumption).

In line with our concerns about the implications of increased network expenditure for low-income energy consumers, SACOSS has strongly objected to these Schemes being funded through network tariff cost recovery mechanisms for the following reasons:

- energy expenditure is highly regressive; those on the lowest incomes spend proportionately more of their household income on energy than those on higher incomes,⁶³ and
- households with higher grid-consumption (like hardship or payment plan households) pay disproportionately more for the costs of these Schemes, as compared to those who can access energy from behind the meter and reduce their grid consumption (solar PV / battery households), resulting in inequitable cross-subsidies.

SACOSS refers the AER to both of our submissions on these proposals, which contain issues and considerations relevant to this consultation:

- SACOSS, [Submission to the Department for Energy and Mining on the Firm Energy Reliability Mechanism](#), 22 December 2024
- SACOSS, [Submission to the Department for Energy and Mining on the Small Claims Compensation Scheme](#), 30 October 2024.

Capital Expenditure

SAPN proposed \$2,379m in capital expenditure in its Original Proposal. The AER's Draft Decision was to allow \$2,135.2m (10.3% lower than was proposed, but still significantly higher than 2020-2025 expenditure), and SAPN's Revised Proposal is for \$2,338m - \$205m

⁶¹ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024, p. 12

⁶² SA Power Networks, [2025-30 Revised Regulatory Proposal](#), December 2024, p. 22

⁶³ [SACOSS, Working to make ends meet: Low income workers and energy bills stress](#), November 2020, p.42

more than the Draft Decision and \$39m (1.6%) less than its Original Proposal. Overall, SAPN is proposing around a 20% increase in capital expenditure for 2025-30 on 2020-25 levels, which will result in a significant increase in the RAB and costs to consumers over the longer term. SACOSS does not consider the \$39m or 1.6% reduction in capital expenditure within the Revised Proposal adequately addresses SACOSS' affordability concerns.

SACOSS is calling on the AER to:

- Ensure all expenditure meets the capex criteria set out in the Rules, including the \$16m in expenditure associated with the proposed Innovation Fund.
- Update the demand forecasts contained in the Revised Proposal using AEMO's 2024 ESOO (as outlined above) and determine whether 2025-30 expenditure on can be reasonably deferred.
- Continue to closely examine whether the risks of the ageing network are overstated.
- Consider whether the proposed expenditure uplift is realistic.
- Place a higher importance on affordability considerations in an assessment of the service / price balance underpinning expenditure proposals.
- Consider the impact of greater smart-meter penetration in 2025-30 on improved network utilisation to reduce infrastructure spending.
- Ensure SAPN is utilising its existing network assets in lieu of new infrastructure investment.
- Continue to undertake a robust assessment of SAPN's business cases and the scope for deferral of expenditure proposals based on revised demand forecasts or borderline consumer benefit.

Consumers need to be assured that SAPN's existing infrastructure is being used effectively, and unnecessary investment is being avoided. Consumers also need to be assured that networks are not proposing additional expenditure with the expectation of underspending to benefit through incentive schemes.

Innovation Fund - \$16m capex, \$4m opex

SACOSS does not support additional capital or operating expenditure to support innovation through the Innovation Fund (\$16m for capex and \$4m for opex), in the absence of proven benefits for all consumers. We strongly support innovation and SAPN has proven to be an innovative network, undertaking projects with ARENA and RACE for 2030. However, we consider SAPN could draw on its significant profits to undertake innovative projects as part of usual prudent forward-looking business practices, and we do not believe it is appropriate for consumers to provide additional funding (regressively and inequitably) for projects that have no broader consumer benefit and are arguably not 'transformative'.⁶⁴

⁶⁴ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024, p. 18

The AER's Draft Decision states:

*'We recognise the importance of innovation investment in supporting the energy transition and protecting vulnerable customers'. We acknowledge the potential benefits of having explicit ex-ante innovation funding within the regulatory framework, together with on-going consumer oversight, performance reporting and information sharing. We consider funding through a distribution determination where this meets our innovation Criteria.'*⁶⁵

SACOSS does not accept the following 'benefits' for 'vulnerable' South Australian consumers as identified by SAPN:

- Lower wholesale costs due to increased solar exports.
- Reduced augmentation expenditure.

SACOSS suggests the benefits of demand flexibility are overstated and unproven, and there is no evidence of significantly increased distribution augmentation costs being incurred by SAPN as a result of the energy transition.⁶⁶ In relation to wholesale costs, increasing solar PV exports has led to increased wholesale market volatility in South Australia, which coupled with a low liquidity market results in more expensive retail wholesale contracts, paid for by South Australian consumers.⁶⁷ SACOSS refers the AER to its DMO team for further information on the impacts of solar PV and the difficulties associated with forecasting wholesale costs in this State.⁶⁸

SACOSS therefore questions the assertion that innovation funding will result in broader consumer benefit through a reduction in augex and wholesale costs. More data from smart meters in 2025-30, as well as increasing numbers of VPPs and batteries should assist with future planning and orchestration in the next regulatory period.

It is probable that South Australian households will face significantly higher transmissions costs in the future, but SACOSS considers it is unlikely SAPN's proposed innovation projects will assist with reducing those costs given the drivers of transmission infrastructure expenditure are potential large industrial loads (mining and industry) in the north of the State, not residential demand.

⁶⁵ AER, [Draft Decision SA Power Networks 2025-30, Attachment 5 – Capital Expenditure](#) p. 36

⁶⁶ Augex is not the biggest driver of expenditure in this Proposal, and SAPN's network utilisation is below 50%.

⁶⁷ AER, [Wholesale electricity market performance report 2024](#), December 2024, Chapter 7

⁶⁸ AER, [Default Market Offer 2025-26 Issues Paper](#), October 2024

SACOSS is therefore seeking the AER provide:

- Evidence of avoided network augmentation costs resulting from innovation projects, and estimates of the bill impacts.
- Evidence of reduced wholesale costs resulting from increased solar exports.

Further, the AER should consider the inequitable impact of funding for innovation recovered through network costs (based on grid consumption). In contrast to the Innovation Fund allowance, Government funded grants require significant application processes with defined outcomes, deliverables and regular reporting requirements. Academics and non-for-profit organizations spend a large percentage of their time applying for and reporting on grants. In addition, there is always an expectation that the successful grant applicant will provide in-kind support for the grant (will SAPN be required to provide an in-kind contribution to the Innovation Fund?).

The Innovation Fund circumvents these established grant requirements and falls outside of the established regulatory framework dealing with network expenditure under the Energy Laws and Rules. Most importantly, the Innovation Fund is funded regressively through energy bills, disproportionately impacting low-income and high energy use consumers, as opposed to the progressive tax revenue funding of Government grants. If additional funding is required by SAPN for innovation, then there are alternative government sources for funding and these should be pursued by SAPN (as the costs will be recovered from tax payers and not regressively and inequitably recovered through the network component of energy bills).

We believe the AER should consider all these factors when determining whether energy consumers should be paying for a profitable regulated business to undertake innovative projects.

We also ask the following questions:

- How does the Innovation Fund expenditure fit within the established regulatory framework?
- How does this expenditure benefit vulnerable south Australian energy consumers?
- How does this proposal for funding compare to the grant application process / reporting requirements / outputs SAPN would have to provide if it was to apply for a grant through an alternative funding source?

Operating Expenditure

SAPN's Original Proposal was for \$1,983m in operating expenditure (including debt raising costs), an 18.9% (or \$314.8m) increase from SAPN's actual opex in the 2020-25 period. This was accepted by the AER in its Draft Decision. Notably, SAPN has significantly underspent its

allowed opex during the 2020-25 period (by \$114m, real \$2024-25).⁶⁹ SAPN's Revised Proposal is for \$2,023m in operating expenditure, or \$53m (2.67%) more than the Original Proposal.

Given previous and consistent opex underspends by SAPN since 2015-16, SACOSS is asking the AER to assure South Australian energy consumers that the operating expenditure forecasts are realistic and deliverable. The proposal represents a significant 18.9% increase on current operating expenditure, and consumers deserve to be confident that SAPN is not overestimating its expenditure to receive an incentive benefit through underspending.

Small Compensation Claims Scheme - \$20m Opex

SAPN's Revised Proposal makes numerous mentions of the removal of the \$20m Small Compensation Claims Scheme (SCCS), from its forecast operating expenditure in the Revised Proposal. The SCCS expenditure was included by SAPN as a 'new regulatory obligation' within the Original Proposal.⁷⁰

'We forecast opex of \$20.0 million over 2025–30 to meet an expected new regulatory obligation relating to claims and damages that will apply to us from 1 July 2025.'

SACOSS questions SAPN's decision to include the \$20m for the SCCS in the Original Proposal. The SCCS was not supported by the People's Panel as it was decided this should be a matter for government policy and not the network business. The engagement around this proposal also raised concerns about the regressive nature of the cost recovery for these small compensation claims. SACOSS questions whether the inclusion of the \$20m within the Original Proposal was genuine, or whether it was included for the purpose of being removed at a later stage as a concession? Consumers need to have confidence in the genuineness of SAPN's expenditure proposals.

Similarly, SACOSS questions SAPN's \$20m cost estimate for the implementation and delivery of the Scheme. The Department for Energy and Mining's Consultation paper on the proposed Scheme⁷¹ cites EWOSA's investigation of more than 300 over voltage / surge damage cases since mid-2016, with 32 cases reported in 2023-24. Therefore, over the previous 8-year period between mid-2016 and mid-2024, there has been a yearly average of 37.5 cases of voltage variation damages investigated by EWOSA. If SA Power Networks' estimated Scheme costs of \$4m per annum (\$20m averaged over a 5-year period) are

⁶⁹ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024, p. 19

⁷⁰ SA Power Networks, [Attachment -6 Operating Expenditure – January 2024](#), p. 28

⁷¹ SACOSS, [Submission to the Department for Energy and Mining on the Small Claims Compensation Scheme](#), October 2024.

correct, then each of those 37.5 claims would have cost \$106,000 to administer and compensate. SACOSS considers this is an unacceptable and unrealistic amount for energy consumers to be paying for such a scheme. SACOSS also considers this potential overestimation undermines consumers' confidence in the reliability of the costings of SAPN's expenditure proposals more broadly.

Incentive Schemes

Consumers need to be assured that networks are not overestimating expenditure in order to underpend and retain a benefit through the incentive schemes.

As outlined above, between 2020-2023, SAPN accumulated \$152,267,968.00 in allowed revenue through incentive schemes, with \$46,610,918 in incentive scheme revenue in 2023 alone, the highest amount since 2014. SAPN's Revised Proposal also includes revenue adjustments for incentive schemes. SAPN have included a forecast \$36m (\$2024-25) revenue increment under the CESS for 2024-25. This is \$13m more than SAPN originally forecast.

SACOSS is seeking assurances from the AER that consumers are not contributing to network super profits through overestimation of network expenditure. Network business should deliver on the programs and activities they have committed to and been allocated funding for, within the regulatory period. SACOSS is seeking the AER closely monitor SAPN's allowed expenditure and the delivery of promised programs of works through 2025-30.

SACOSS would also like the AER to fully explain the significant change in the EBSS carryover loss, from the Original Proposal amount of -\$20m to -\$115m in the Revised Proposal.⁷² This is a significant difference (-\$95m) and SACOSS is keen to better understand the impact for consumers.

SACOSS supports the AER's decision not to introduce an additional Customer Service Incentive Scheme.

Classification of Services – Data

In line with other 2024-29 network regulatory determinations, the AER's Draft Decision made the following adjustment to SAPN's service classification for metering 'data services':⁷³

⁷² SA Power Networks, [2025-30 Revised Regulatory Proposal](#), December 2024, p. 30

⁷³ AER, [Draft Decision Attachment 13 – Classification of Services](#), p. 9

- the ‘provision of standardised data sets and/or data that is provided to a distributor, at no cost to the distributor, in accordance with obligations under the rules’ as a new common distribution, standard control service, and
- ‘data requests by customers or third parties for the provision of electricity network data beyond standardised data sets or obligations under the rules as an alternative control service’.

The AER’s Draft Decision is ‘intended to give effect to the intentions of the AEMC’s metering review over the next regulatory period’.⁷⁴

SAPN is strongly opposed to this amendment as it is concerned ‘the AER’s proposed drafting could be interpreted as obligating SA Power Networks to provide any data we receive at no cost to customers’.⁷⁵

SACOSS is strongly supportive of the AER’s amendments, and we consider the drafting of those amendments provides sufficient scope to accommodate the relevant Rules on data as determined by the AEMC as part of its consultation on Energy Consumers Australia’s Rule Change Request.⁷⁶ SAPN will be required to comply with the AEMC’s decision on the content, application and scope of the proposed Rules on data once the Rule Change is made, and the AER’s proposed amendments provide sufficient flexibility to allow for that to be implemented.

As a matter of principle, where the network is accessing data created by or from consumers for free, then those consumers are rightly entitled to access that data free of cost. SACOSS provided a submission⁷⁷ to the AEMC on its Rule Change consultation on ‘real time data’, where we expressed our strongly-held view that:

‘...consumers should have the inherent right to access, control, and freely use their data as part of an equitable energy transition. This aligns closely with the Consumer Data Right, enabling consumers to benefit from the data they produce and make informed energy choices.’

SACOSS’ submission also recommended that the implementation of the AEMC’s Rule Change ensures:

⁷⁴ AER, [Draft Decision Attachment 13 – Classification of Services](#), p. 9

⁷⁵ SAPN, [Attachment 13 – Classification of Services – December 2024](#), p. 9-10

⁷⁶ AEMC, [Real-time data for consumers: Rule Change](#)

⁷⁷ SACOSS,

- **Unimpeded Access:** Consumers must be able to easily access their data, with minimal administrative burdens or technical challenges.
- **Standardization for Ease of Use:** Consumers' data must be formatted and accessible in a way that allows seamless understanding and usage.
- **No Cost to Consumers:** There should be no additional charges for consumers to access real-time data from their smart meters.

We await the AEMC's Draft Determination, and strongly support the wording and framing of the AER's amendments to SAPN's service classification for metering 'data services'.

'Cost Reflective' Tariffs

SACOSS acknowledges the AER have largely accepted all elements of SAPN's tariff structure statement and there is no longer an opportunity for stakeholder influence. However, we cannot allow the following statements contained in the AER's Draft Decision to remain unchallenged:

*'Cost reflective network tariffs **should not inhibit consumer choice over retail tariff structures.** Customers should have access to a range of retail tariff structures across different retailers, including because distributors typically offer at least two cost reflective tariffs structures for small customers, and because retail tariffs are not required to reflect the structure of the underlying network tariff.'*

and,

*'Network tariff reform enables distributors to charge retailers **in a manner which more closely reflects the cost of providing electricity network capacity** to end-use customers and can support the energy transition currently underway. **Where price signals are passed through,** and if customers are well placed to respond to these price signals, appropriately structured tariffs **can enable growth in the value and number of people with consumer energy resources (CER).** At the same time, this response to price signals **can reduce network constraints and minimum load issues** and therefore reduce the level of network investment required, resulting in **lower prices for all consumers.**'*

SACOSS suggests these oft-repeated statements need to be thoroughly tested against evidence of the South Australian experience over the past four years, drawing on both qualitative and quantitative data. South Australia has had default TOU network tariffs for

smart meter customers since 2021. More than half of all residential customers in South Australia (51.16 %) are currently assigned to a TOU network tariff.⁷⁸

The percentage of smart meter customers in SA on a time of use or flexible **retail** tariff, with an underlying distributor-based time of use or flexible network tariff, has increased from 3.6% in 2020/21 to **84.6%** in Q4 2023/24:

- 91.5% of AGL’s smart meter customers in SA are on a TOU retail tariff
- 95.6% of Alinta’s smart meter customers in SA are on a TOU retail tariff
- 100% of Origin’s smart meter customers in SA are on a TOU retail tariff
- 29.1% of Simply Energy smart meter customers are on a TOU retail tariff

The AER’s Default Market Offer 2024-25 Final Determination shows there are 45.74% of customers with advanced (smart) meters in SA (359,247 customers). Therefore, around 39% of ALL energy customers (or 298,175 customers) are currently on time of use (TOU) retail tariffs in South Australia.

The AER’s data demonstrates that most retailers will automatically move consumers onto TOU retail tariffs once they have been assigned to a TOU network tariff. AGL, Alinta and Origin do not offer smart meter customers in South Australia the choice of a flat rate tariff – retail tariff choice has clearly been ‘inhibited’ as a result of the introduction of TOU network tariffs.

SACOSS considers it is time for the AER to re-examine its push to move all residential households onto time of use / cost reflective network tariffs. The stated purpose of these tariffs is that they better reflect the cost of the network, and encourage households to shift their usage to the middle of the day, however the reality is that:

- cost reflective or Time of Use (TOU) tariffs are not actually reflective of the costs of the network, which are largely fixed
- TOU retail tariff peak periods can be unavoidable and punitive for low-income households
- Low-income households are at risk of heating and cooling energy rationing behaviour, leading to adverse health outcomes⁷⁹
- the intention of TOU network tariffs is that they *are* implemented at a retail level as a signal to shift household usage patterns, and therefore to say ‘*retail tariffs are not required to reflect the structure of the underlying network tariff*’ is unhelpful
- network tariff policy has led to the removal of tariff choice at a retail level

⁷⁸ AER - [Stakeholder report - SA Power Networks - 2024–25 Annual Pricing Proposal](#), 17 July 2024

⁷⁹ ECA, [Consumer knowledge of electricity pricing and responsiveness to price signals: Consumer Energy Report Card](#), January 2025, p. 9

- there is **no** evidence that TOU price signals have resulted in load shifting, changing demand profiles or reduced network costs for consumers
- there is no evidence that TOU tariffs have resulted in lower prices for all consumers, conversely network expenditure is increasing in 2025-30
- TOU tariffs place an unreasonable burden and additional complexity on all residential consumers, and should be opt-in
- peak and minimum demand are not driving the majority of network expenditure in SAPN’s Revised Proposal, and SAPN is operating at under 50% network utilisation
- the issues TOU tariffs are aiming to address (weather driven network constraints and minimum supply issues) should not be the responsibility of residential consumers, as they are ill-equipped to manage the risks.

SAPN’s tariff structure for smart meter customers in South Australia during 2025-30 (a time period during which all households will be moved to smart meters) is set out below (see Figure 10):

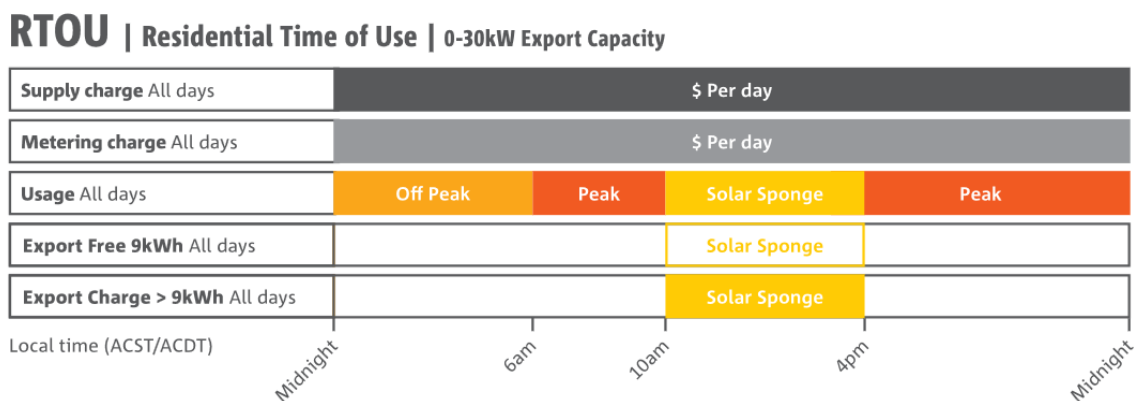


Figure 10: Residential time of use tariff structure. Source: SAPN, 2024⁸⁰

In 20205-30, South Australian smart-meter households will be facing:

- A peak period of 12 hours – between 6am and 10am, and 4pm to midnight, where households will be charged **130.6% of the residential single rate** (flat rate). These are times when most households cannot adjust their usage due to the rhythms of daily life, and we know renters and non-solar are less likely to change appliance usage.⁸¹
- An off-peak period of 6 hours - between midnight and 6am, where households will be charged **65.3% of the flat rate**.

⁸⁰ SAPN, [Attachment 18 – Tariff Structure Statement – Part A](#), December 2024, p. 20

⁸¹ ECA, [Consumer knowledge of electricity pricing and responsiveness to price signals: Consumer Energy Report Card](#), January 2025, p. 9

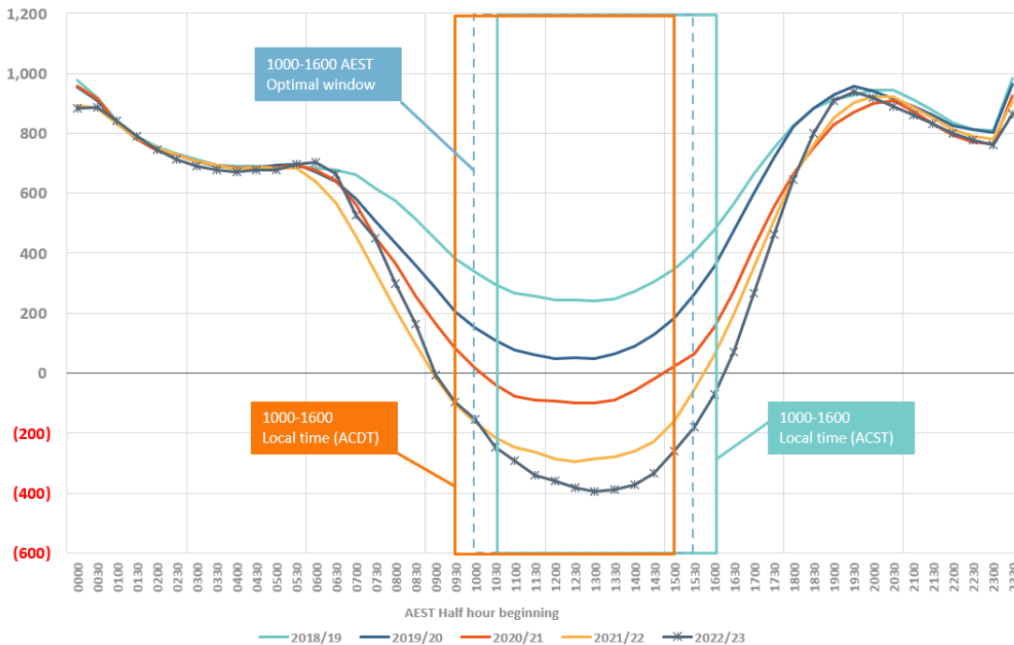
- A Solar Sponge of 6 hours – between 10am and 4pm, where customers will be charged **32.7% of the flat rate**.

These flat rate percentage have all increased from the 2020-25 tariff structure⁸² (which was 125% for peak, 50% for off peak and 25% for solar sponge), and the solar sponge window has been extended by one hour. SAPN’s Explanatory Statement states that:

*‘...we consider the proposed one-hour seasonal variability in the Solar Sponge time window strikes the right balance between providing cost reflective price signals to encourage load shifting and tariff simplicity for customers to understand and respond to and for retailers to implement’.*⁸³

As noted above, TOU tariffs have been in place in South Australia for four years. The Graph below shows that there has been little to no increase in peak demand, and a continual downward trend of minimum distribution network demand. SACOSS suggests TOU tariffs are not operating to shift demand profiles (see Figure 11, below).

Figure 14: SA Power Networks distribution network Minimum MW demand profile (excluding Major Customers including Embedded Generation)



Source: SA Power Networks analysis

Figure 11: SAPN Minimum Demand profile. Source: SAPN, 2024⁸⁴

⁸² SAPN, [2020-25 Tariff structure Statement](#), p.16

⁸³ SA Power Networks, [Attachment 18 – Tariff Structure Statement Part B](#), January 2024, p.29

⁸⁴ SA Power Networks, [Attachment 18 – Tariff Structure Statement Part B](#), January 2024, p.29

SAPN’s Tariff explanatory statement acknowledges that ‘In the last five years there has been a continual downwards trend of minimum distribution network demand.’⁸⁵

Further, how can these tariffs be said to be ‘cost reflective’? Can SAPN and the AER point to increased network costs associated with the demand profile that aligns with the tariff structure, and if so, can that cost be quantified and does it outweigh the burden being placed on households to shift their usage? Network costs are largely fixed, with the greatest cost being the rate of return on the RAB. The significant increase in proposed capex for this period relates to replacement expenditure, not expenditure associated with peak or minimum demand. Peak demand also remains largely unchanged since 2018 -19, and average residential grid consumption has been declining since 2018-19, SAPN’s Pricing Proposal shows the 6-year residential consumption trend is downwards at -0.62%, where residential customer numbers have increased by 0.34% (see Figure 12, below).⁸⁶

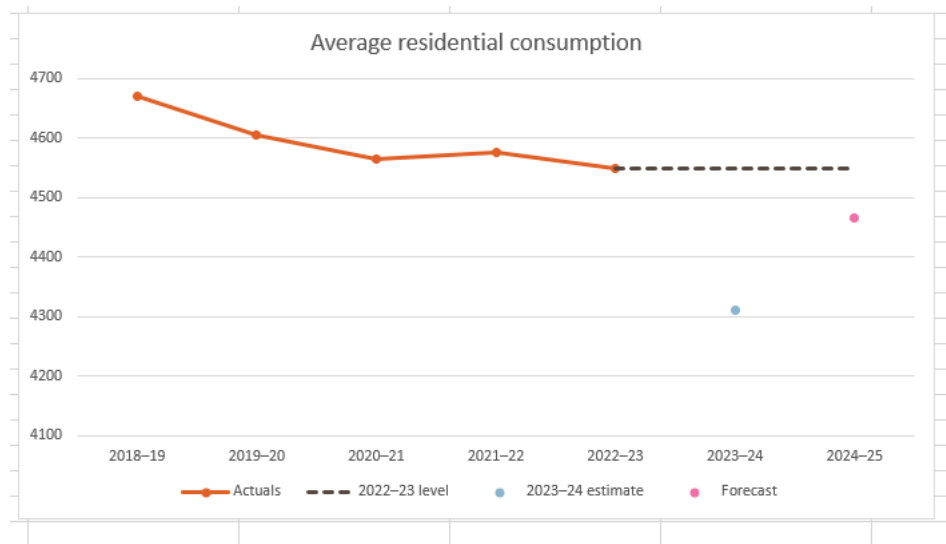


Figure 127: Average Residential Consumption 2018-2025. Source: SAPN, July 2024⁸⁷

TOU tariffs are a significant and complex burden to be placing on South Australian energy consumers who will now be facing 130.6% of the single rate tariff during unavoidable peak periods. We know retailers are automatically shifting households onto TOU tariffs with no choice, consent or notification. To our knowledge, there have never been any trials or assessment of the impact of TOU tariffs at a household level, only theoretical analysis undertaken by the networks. SACOSS is asking the AER to re-examine its tariff policy, and to consider the following questions:

⁸⁵ SA Power Networks, [Attachment 18 – Tariff Structure Statement Part B](#), January 2024, p. 31

⁸⁶ AER - [Stakeholder report - SA Power Networks - 2024–25 Annual Pricing Proposal](#), 17 July 2024

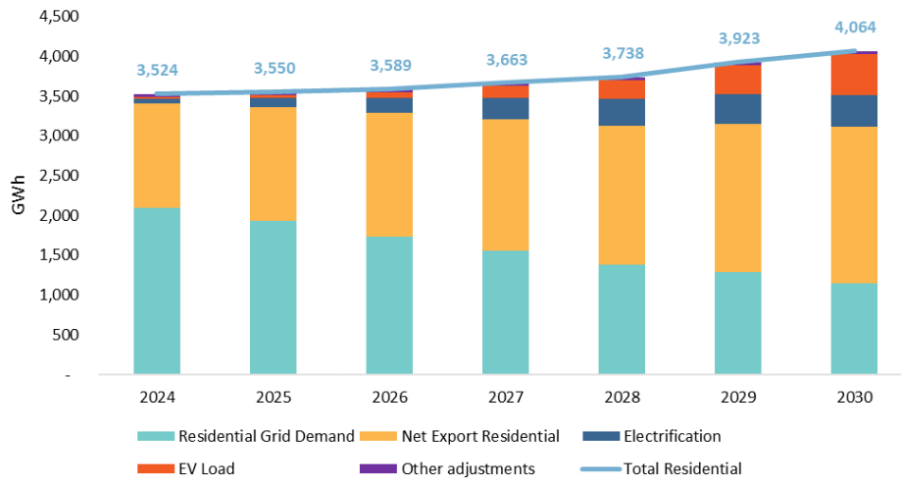
⁸⁷ AER - [Stakeholder report - SA Power Networks - 2024–25 Annual Pricing Proposal](#), 17 July 2024

- Is there any evidence that default TOU residential tariffs have had any impact on changing demand profiles?
- Is there any evidence that households can / do respond to price signals?
- Should the burden to shift usage patterns be placed on individual households?
- Who is best placed to respond to these price signals: households or large industry? Is it fair to impose these tariffs and the associated burden / complexity on all households?
- Should TOU tariffs be opt-in for those households who can take advantage of lower prices and avoid the much higher peak pricing?
- To what extent is the minimum demand driving network expenditure – can the AER provide an exact amount with bill impacts?
- TOU tariffs are not reflective of the cost of replacement expenditure, why is the AER focused on augmentation expenditure when looking at cost-reflectivity?
- Is SAPN exceeding the capacity of its network during daily peaks, and how is this driving expenditure?

Also, SACOSS understands SAPN’s Revised TSS Part A includes indicative prices that are based on the August 2024 Australian Energy Market Operator (AEMO) Electricity Statement of Opportunities (ESOO) forecast.⁸⁸ However, the explanatory statement (Part B) has not been updated using either AEMO’s 2024 ISP, or AEMO’s 2024 ESOO, as promised. Specifically, SACOSS is keen to view the updated residential volume forecasts as depicted in the following Graph from the unamended Part B (based on the 2022 ESOO) (see Figure 13, below). SACOSS considers it is important for consumers to have transparency around projected volume forecasts, and we are seeking SAPN update the information in the Tariff Structure explanatory statement.

⁸⁸ SAPN, [Attachment 18 - Tariff Structure Statement Part A](#), p. 7

Figure 23: SA Power Networks Residential volume forecast GWh to 2030



Source: SA Power Networks analysis

Figure 13: SAPN residential volume forecasts. Source: SAPN, January 2024⁸⁹

As outlined earlier in this submission, the 2024 ESOO has resulted in lower consumption forecasts, and we are keen to see the impact of that change. SAPN has indicated it expects to see a 20% increase in volume over the 2025-30 period, which it states will reduce the RAB value per kWh by 9%, and SACOSS would like to see evidence of this claim.

As evidence in the following submissions, over the past few years SACOSS has consistently and repeatedly raised the risks and negative customer impacts associated with the mandatory re-assignment of smart meter households to TOU retail tariffs in South Australia - which to date has occurred with no customer consent, no advanced notification, no education and no option to choose a flat rate retail tariff option:

- SACOSS, [Submission to the Department for Energy and Mining on Proposed Tariffs to Incentivise energy use in low demand periods for SA](#), 9 July 2020
- SACOSS, [Submission to the Australian Energy Regulator on the DMO 2022-23 Options Paper](#), 23 November 2021
- SACOSS, [Submission to the AER on the Draft Consumer Vulnerability Strategy](#), 28 February 2022
- SACOSS, [Submission to the SA Department for Energy and Mining on the accelerated roll-out of smart meters in SA](#), 18 February 2022
- SACOSS, [Submission to the Essential Services Commission of SA on the Inquiry into Retail Energy Prices](#), 15 December 2022

⁸⁹ SA Power Networks, [Attachment 18 – Tariff Structure Statement Part B](#), January 2024, p. 36

- SACOSS, [Submission to the AER on the DMO 2023-24 Issues Paper](#), 5 December 2022
- SACOSS, [Submission to the AEMC on the Regulatory Review for Metering Services Draft Report](#), 9 February 2023
- SACOSS, [Submission to the AER on the Retail Guidelines Review Issues Paper](#), 7 August 2023
- SACOSS, [Submission to South Australia's Green Paper on the Energy Transition](#), August 2023
- SACOSS, [Annual SACOSS Briefing to the Minister for Energy](#), August 2023
- SACOSS, [Submission to the AER on the DMO 2024-25 Issues Paper](#), 8 November 2023
- SACOSS, [Submission to the AER on the Retail Guidelines Review: Draft Instrument](#), 22 March 2024
- SACOSS, [Submission to the AER on SAPN's RD 2025-30 Issues Paper](#), May 2024
- SACOSS, [Submission to the AEMC on the Draft Rule Determination: accelerating smart meter deployment](#), 3 June 2024
- ACOSS, ACTCOSS, Justice and Equity Centre, QCOSS and SACOSS, [Letter to the AEMC requesting urgent tariff reform with smart meter upgrades](#), 8 July 2024
- SACOSS, [Submission to the AER on the Review of consumer protections under the NECF](#), July 2024
- SACOSS (joint COSS), [Submission to the AEMC on the accelerated Smart meter deployment](#), 13 September 2024
- SACOSS, [Submission to the Department for Energy and Mining on the Review of South Australia's National Energy Retail Law \(Local Provisions\) Regulations 2013](#), October 2024
- SACOSS, [Submission to the AEMC on the Pricing Review](#), 17 December 2024

We are seeking the AER consider these submissions, together with the recent customer survey by Energy Consumers Australia which provides an insight into low-income households and renters' ability to respond to TOU tariffs.⁹⁰ SACOSS considers it is time for the AER to have regard to the real-world impacts of 'cost-reflective' network tariffs, as opposed to theoretical modelling undertaken by networks and economists. As Dr Ron Ben-David notes, designing systems based on false assumptions about consumer behaviour

⁹⁰ ECA, [Consumer knowledge of electricity pricing and responsiveness to price signals: Consumer Energy Report Card](#), January 2025

perpetuates inequity and inefficiency.⁹¹ Most consumers are not, nor should they be expected to become, active traders or managers of energy decisions. We are calling on the AER to have regard to the Dr Ron Ben David's exploration of market and regulatory design measures in his July 2024 Paper [What if the Consumer Energy Market Were Based on Reality Rather than Assumptions?](#), with particular reference to the Truth Statements, the reasonableness of assumptions about human behaviour and the realities of tariff reform.⁹²

In line with our submission to the Senate Select Committee on Energy Planning and Regulation, we are also calling on the AER to adopt a consumer harm / risk minimisation objective:

'To avoid exposing consumers to risks they are ill-equipped to understand, manage or price'.⁹³

Consumer Engagement

Throughout SAPN's engagement process SACOSS has highlighted the overwhelming importance of energy affordability, particularly in light of the disproportionate impact of energy costs on low-income households and the growing inequity in the recovery of network costs due to the high penetration of roof-top solar in this State. We are not convinced SAPN's Proposal adequately addresses those concerns and we do not see affordability reflected as a driving consideration in the Revised Proposal.

The AER has acknowledged there was a diversity of views throughout the engagement process:⁹⁴

'While consumer views are varied, we note that the question of affordability and service level will likely remain a key issue for some consumers in the revised proposal.'

The Draft Decision established an expectation that SAPN would consider *all views* in developing the Revised Proposal, with particular reference to the price / service balance and innovation fund⁹⁵

⁹¹ Ben-David (2024), *What if the consumer energy market were based on reality rather than assumptions?*

⁹² Ron Ben-David from the Monash Business School, [What if the Consumer Energy Market Were Based on Reality Rather than Assumptions?](#), July 2024, pp. 46-47, 53-54 and 55-57.

⁹³ Ron Ben-David from the Monash Business School, [What if the Consumer Energy Market Were Based on Reality Rather than Assumptions?](#), July 2024

⁹⁴ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024, p. vi

⁹⁵ AER, Draft Decision: [SA Power Networks Electricity Distribution Determination 2025-30](#), September 2024, p. 9

*'It is clear from the submissions that stakeholder views are varied. We encourage SA Power Networks to consider this feedback in developing their revised proposal. This would include **the price service balance and innovation fund expenditure.**'*

We repeat and refer the AER to our submissions on the consumer engagement process contained in our Issues Paper submission,⁹⁶ and confirm that we do not consider SAPN has properly considered the merits of the submissions from both SACOSS and the South Australian Government on the importance of energy affordability in shaping the price / service balance of the Revised Proposal. To our knowledge, there was no additional consultation on the 'price / service balance' subsequent to the AER's Draft Decision. SAPN consulted specific consumer consultative groups with identified interests on separate expenditure items aligned to those interests, but there was no further consultation on the overall price / service balance or how affordability considerations had influenced the Revised Proposal.

Further, we do not believe that SAPN's Revised Proposal provides any clarity on how it has come to determine consumer preferences where there was a diversity of opinion.

The Revised Proposal states that '**proposed service outcomes (service levels, new efficiencies, compliance) remain aligned to customer preferences**'.⁹⁷ SAPN's Revised Proposal also states:⁹⁸

'While consistently mindful of affordability, our customers were clear in our engagement, having considered outcomes-based scenarios and trade-offs, that they do not want service compromised...'

and

*'customer preferences – via multi-staged and outcomes (service/price trade-offs) focused engagement with: 'broad and diverse' communities, representatives via 'Focused Conversations', everyday citizens via a 'People's Panel, and a Draft Proposal reaching all stakeholders. In engagement **subsequent to our Proposal and Draft Decision, we observed no change in customers' preferences** however, they expressed a continued desire for prudence and efficiency in delivering the desired outcomes'*

Given the diversity of stakeholder views, SACOSS questions how SAPN came to its clear position on consumer preferences regarding the service / price balance, and its view that those 'preferences' remaining unchanged?

⁹⁶ SACOSS, [Submission to the AER on the SA Power Networks' Electricity Distribution Determination 2025-30 Issues Paper](#), 16 May 2024

⁹⁷ SA Power Networks, [2025-30 Revised Regulatory Proposal](#), December 2024, p. 27

⁹⁸ SAPN, [Attachment 5 – Capital Expenditure](#), December 2024, p. 8

SACOSS considers affordability concerns raised by SACOSS and others were not adequately or substantively addressed by SAPN in its Original or Revised Proposal. In addition, SACOSS submits affordability considerations have, if anything, increased in importance to consumers since the development of SAPN's Proposal in January, and SAPN's response has been to increase or largely maintain revised expenditure proposals. Overall, no meaningful concessions on expenditure have been made by SAPN in its Revised Proposal. SACOSS submits SAPN should consider accepting a lower allowance, with deferred expenditure, that would better deal with widespread affordability concerns and would arguably not impact reliability.

SACOSS suggests SAPN have not deviated from its assessment of customer preferences as identified for the Original Proposal in January 2024, and there has been little to no consideration of varied views put forward by other stakeholders, including SACOSS, since that time. SACOSS is therefore calling on the AER to acknowledge consumer concerns around price and equity, and to prioritise affordability considerations in its Final Determination.

Early Signal Pathway

As part of the early signal pathway process, SAPN invested heavily in consumer engagement on the understanding that its expenditure Proposal would face reduced scrutiny and be largely accepted, if certain aspects of the Better Resets Handbook were met.

SACOSS has always been extremely cautious about 'consumer preferences' leading to reduced scrutiny or acceptance of expenditure proposals. We consider this approach to economic regulation falls outside the established regulatory framework and creates a greater risk of business influence (given the information and power asymmetry), leading to higher expenditure proposals. SACOSS has always maintained the overarching importance in economic regulation of in-depth scrutiny by the regulator, and the testing of all proposals for prudence and efficiency. Consumer preferences should remain an element in the regulator's decision-making, but not the determinative element. Overall, the regulator has the resources and expertise to undertake an assessment of the network's proposal and to make a decision in the long-term interest of consumers.

SACOSS' experience of the Early Signal Pathway process and SAPN's extensive engagement program, was challenging. SACOSS is a not-for-profit organisation operating on a grant funded basis where we are constantly required to prioritise our involvement in various energy consultations. We do this on the basis of what will have the most impact for low-income South Australians – the people we represent. In our assessment, SAPN's engagement process was a significant burden on SACOSS' time and resources, with little opportunity or scope for influence.

SACOSS is calling on the AER to review the Better Resets Handbook and the Early Signal Pathway process, and to undertake an analysis of the costs / benefits / impacts of that process on consumers and networks' allowed expenditure.

We would also like to see a cost benefit analysis of SAPN's engagement process, including the cost of the process, both financial and time costs, the impact consumers had on the proposal and the identified long-term benefits for consumers.

Conclusion

Thank you for the opportunity to provide feedback in relation to the Aer Draft Decision and SAPN's Revised Proposal for the 2025-30 regulatory period. If you have any questions in relation to this submission or require any further information or clarification please do not hesitate to contact either Georgina Morris on 8305 4214 Georgina@sacoss.org.au.