Government of South Australia
Department for Energy and Mining

Strategic Policy and Delivery Division

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Our Ref: DEMC24/01868

Mr Kris Funston
Executive General Manager
Australian Energy Regulator
Via email: SAPN2025@aer.gov.au

Dear Kris,

The South Australian Department for Energy and Mining (DEM) appreciates the opportunity to provide a submission to the Australian Energy Regulator (AER) in relation to SA Power Networks' (SAPN's) Revised Regulatory Proposal for the regulatory control period 1 July 2025 to 30 June 2030.

Capital and Operating Expenditure

In its submission to the AER on SAPN's original proposal, DEM outlined material concerns with SAPNs proposed step changes in capital expenditure (capex) and operating expenditure (opex) for the period 2025-2030, and urged the AER to rigorously interrogate these increases to ensure they reflected prudent and efficient expenditure prior to issuing its draft decision.

We acknowledge the AER's draft decision to accept SAPN's proposed opex for main standard control services as justified as being prudent and efficient while disallowing opex items including the $18 million proposed for network uplift expenditure.

We support the AER's downward revision to SAPN's proposal for demand driven augmentation capital project expenditure.

Noting that SAPN states that a key objective of its regulatory proposal was to 'keep the price as low as possible'[1] we also acknowledge the AER's draft decision to reduce capex by $243.9m (or 10.3%) across 2025-2030 compared to SAPN's original proposal. However, we consider the AER should continue to investigate opportunities to further dampen the network asset replacement expenditure (repex) growth of 21.9% implied by SAPN's original proposal.

[1] SAPN, Our Customer and Stakeholder Engagement Program, Jan 2024 p5

We are disappointed that SAPN has not accepted the AER's generous draft decision capex allowance and that its revised proposal instead includes only a very minor $41m (1.7%) downward revision, smoothed over the period 2025-2030. Should the AER accept SAPN's revised proposal, we would consider this is a missed opportunity to reign-in cost escalations across future regulatory periods associated with an expanded regulatory asset base and consequently ease electricity bill pressures for households and businesses.

In light of SAPN's revised approach to its modelling of repex in its revised proposal, we encourage the AER to further assess the methodology associated with its risk-cost modelling prior to issuing its final decision. Beyond this, however, the AER is encouraged to more broadly reassess its draft decision to largely accept SAPN's repex proposal, given the apparent disconnect between this strong growth in proposed repex, modest increase in outage risks, and SAPN's improving metrics for reliability performance.

CBD Reliability Program of Works

As noted in the recently released South Australian Electricity Development Plan, South Australian consumers rightly expect a reliable and resilient power system at least cost.

DEM broadly supports the intention of the CBD reliability improvement that will contribute to this, noting the fundamental importance of network reliability in supporting economic activity in the CBD. Despite this, we note that the modelling used to determine SAPN's proposed investment has changed between the draft and revised proposals, and this has resulted in an approximately $32 million reduction from the original $90.2 million sought.

We also note that the AER has currently only provided a $12.2 million subset as a placeholder for this initiative. We urge the AER to further interrogate SAPN's revised modelling, underlying business case and the anticipated impact of the proposed program of works, as to whether the proposed $61 million capital investment is prudent, efficient, and will deliver the anticipated reliability improvements.

Other Issues

We note the AER revenue smoothing approach which keeps network prices lower in the first three years of the 2025-2030 period, but results in a 6% step increase in 2028-2029 coinciding with the conclusion of the solar feed-in-tariff scheme. We are concerned that the bill reductions that consumers expect at the conclusion of the scheme will not be visible. The AER and SAPN will need to undertake proactive consumer messaging to explain this outcome to customers.

Yours sincerely

[redacted]

Rebecca Knights
A/Deputy Chief Executive
12 / 02 / 2025

cc Mark Vincent, Chief Operating Officer, SA Power Networks