

# Final Decision

## SA Power Networks Electricity Distribution Determination 2025 to 2030 (1 July 2025 to 30 June 2030)

### Attachment 1 Annual revenue requirement

April 2025

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### Amendment record

Version	Date	Pages
1	30 April 2025	18

# List of attachments

This attachment forms part of the Australian Energy Regulator's (AER's) final decision on the distribution determination that will apply to SA Power Networks for the 2025–30 period. It should be read with all other parts of the final decision.

As a number of issues were settled at the draft decision stage or required only minor updates, we have not prepared all attachments. Where an attachment has not been prepared, our draft decision reasons form part of this final decision. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision.

The final decision includes the following attachments:

Overview

**Attachment 1 – Annual revenue requirement**

Attachment 2 – Regulatory asset base

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 7 – Corporate income tax

Attachment 10 – Service target performance incentive scheme

Attachment 13 – Classification of services

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# 1 Annual revenue requirement

This attachment sets out our final decision on SA Power Networks' annual revenue requirement (ARR) and expected revenues for the provision of standard control services (SCS) over the 2025–30 regulatory control period (period). Specifically, it sets out our final decision on:<sup>1</sup>

- the ARRs (unsmoothed), which are the sum of the annual building block costs
- the total revenue requirement, which is the sum of the ARRs
- the annual expected revenues (smoothed)
- the X factors.

This attachment discusses our final decision on the above for the main SCS, with metering SCS being discussed in Attachment 20.

We determine SA Power Networks' ARRs using a building block approach. We determine the X factors by smoothing the ARRs over the period. The X factor is used in the CPI–X methodology to determine the annual expected revenues (smoothed).

## 1.1 Final decision

We determine a total ARR of \$5,187.8 million (\$ nominal, unsmoothed) for SA Power Networks over the 2025–30 period for the main SCS. This amount reflects our final decision on the various building block costs and represents an increase of \$38.2 million (0.7%) to SA Power Networks' revised proposal.

This increase is largely driven by our final decision on the regulatory depreciation building block, which is \$24.9 million higher than SA Power Networks' revised proposal. This is largely driven by a lower expected inflation rate applied in our final decision compared to SA Power Networks' revised proposal. The regulatory depreciation amount is the net total of the straight-line depreciation, less the inflation indexation of the regulatory asset base (RAB). A lower expected inflation rate reduces the inflation indexation amount that is deducted from straight-line depreciation. Our reductions to forecast capital expenditure (capex) and the opening RAB as at 1 July 2025 have reduced straight-line depreciation which partially offsets the reduction in RAB indexation.

The increase in total ARR is also driven by our final decision on the cost of corporate income tax and the return on capital building blocks, which are \$13.6 million and \$8.2 million higher than the amounts in SA Power Networks' revised proposal, respectively. The higher cost of corporate income tax is driven by our reduction to forecast capex which has reduced forecast tax depreciation. The higher return on capital is primarily driven by an increase in the rate of return, partially offset by a lower opening RAB as at 1 July 2025, a lower forecast capex and a lower expected inflation rate.

We determine the annual expected revenue (smoothed) and X factor for each regulatory year of the 2025–30 period by smoothing the ARRs. Our final decision is to approve total

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<sup>1</sup> NER, cl. 6.3.2(a)(1), 6.5.9(a) and 6.5.9(b)(1)–(2).

expected revenue of \$5,207.0 million (\$ nominal) for SA Power Networks for the 2025–30 period. Our approved X factors are –2.95% for 2026–27, –1.00% for 2027–28, –6.98% for 2028–29 and 0.40% for 2029–30.<sup>2</sup>

Table 1.1 sets out our final decision on the building block costs, the ARR, annual expected revenue and X factors for SA Power Networks over the 2025–30 period.

**Table 1.1 AER's final decision on SA Power Networks' ARRs, annual expected revenues and X factors for the 2025–30 period (\$ million, nominal)**

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Return on capital	319.0	333.0	349.0	368.6	390.4	1,759.9
Regulatory depreciation <sup>a</sup>	269.8	280.9	274.0	220.4	216.4	1,261.6
Operating expenditure <sup>b</sup>	405.4	427.2	443.2	458.7	475.5	2,210.0
Revenue adjustments <sup>c</sup>	–19.5	–40.4	–40.8	4.1	8.5	–88.1
Cost of corporate income tax	12.8	13.7	10.0	5.4	2.6	44.4
Annual revenue requirement (unsmoothed)	987.5	1,014.4	1,035.4	1,057.1	1,093.3	5,187.8
<b>Annual expected revenue (smoothed)</b>	<b>930.9</b>	<b>984.4</b>	<b>1,021.3</b>	<b>1,122.3</b>	<b>1,148.2</b>	<b>5,207.0</b>
X factor <sup>d</sup>	n/a	–2.95%	–1.00%	–6.98%	0.40%	n/a

Source: AER analysis.

- (a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening RAB.
- (b) Includes debt raising costs.
- (c) Includes revenue adjustments from the efficiency benefit sharing scheme (EBSS), the capital expenditure sharing scheme (CESS), shared asset adjustment and the demand management innovation allowance mechanism (DMIAM).
- (d) The X factors will be revised to reflect the annual return on debt update. Under the CPI–X framework, the X factor measures the real rate of change in annual expected revenue from one year to the next. A negative X factor represents a real increase in revenue. Conversely, a positive X factor represents a real decrease in revenue.
- (e) SA Power Networks is not required to apply an X factor for 2025–26 because we set the 2025–26 expected revenue in this decision. The expected revenue for 2025–26 is around 2.10% higher than the approved total annual revenue for 2024–25 in real terms, or 4.88% higher in nominal terms.

Our final decision also allows SA Power Networks to recover \$45.6 million (\$ nominal, smoothed) from its customers for the 2025–30 period for metering SCS. Our assessment of metering revenue is not included in the total revenue set out in this attachment and is discussed in Attachment 20 of this final decision.

## 1.2 SA Power Networks' revised proposal

SA Power Networks' revised proposal included total expected revenue (smoothed) of \$5,168.1 million (\$ nominal) for the 2025–30 period.

<sup>2</sup> SA Power Networks is not required to apply an X factor for 2025–26 because we set the 2025–26 expected revenue in this decision.

Table 1.2 sets out SA Power Networks' revised proposed building block costs, the ARR, annual expected revenue and X factor for each year of the 2025–30 period.

**Table 1.2 SA Power Networks' revised proposed ARRs, annual expected revenues and X factors for the 2025–30 period (\$ million, nominal)**

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Return on capital	315.5	330.3	346.9	367.6	391.4	1,751.7
Regulatory depreciation <sup>a</sup>	265.1	276.3	269.4	215.1	210.8	1,236.6
Operating expenditure <sup>b</sup>	405.9	428.2	444.9	461.0	478.5	2,218.6
Revenue adjustments <sup>c</sup>	–19.5	–40.6	–41.0	4.3	8.7	–88.1
Cost of corporate income tax	10.4	11.6	7.3	1.5	0.0	30.8
Annual revenue requirement (unsmoothed)	977.4	1,005.8	1,027.4	1,049.4	1,089.4	5,149.5
<b>Annual expected revenue (smoothed)</b>	<b>932.0</b>	<b>966.5</b>	<b>1,002.3</b>	<b>1,123.4</b>	<b>1,143.8</b>	<b>5,168.1</b>
X factor <sup>d</sup>	n/a	–0.83%	–0.83%	–8.97%	1.00%	n/a

Source: SA Power Networks, *1.1 - Post Tax Revenue Model*, December 2024.

- (a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening RAB.
- (b) Includes debt raising costs.
- (c) Includes revenue adjustments from EBSS, CESS, shared asset adjustment and DMIAM.
- (d) SA Power Networks is not required to apply an X factor for 2025–26 because we set the 2025–26 expected revenue in this decision.

## 1.3 Assessment approach

We did not change the building block approach we use to determine the expected revenue from our draft decision. Attachment 1 (section 1.3) of our draft decision details that approach.<sup>3</sup>

## 1.4 Reasons for final decision

For this final decision, we determine a total ARR of \$5,187.8 million (\$ nominal, unsmoothed) for SA Power Networks for the 2025–30 period. This is an increase of \$38.2 million or 0.7% to SA Power Networks' revised proposed total ARR of \$5,149.5 million (\$ nominal) for this period. This reflects the impact of our final decision on the various building block costs.

Figure 1.1 shows the building block components in this final determination that comprise the ARR for SA Power Networks, and the corresponding components from its revised proposal and our final decision.

The changes we made to SA Power Networks' revised proposal include (in nominal terms):

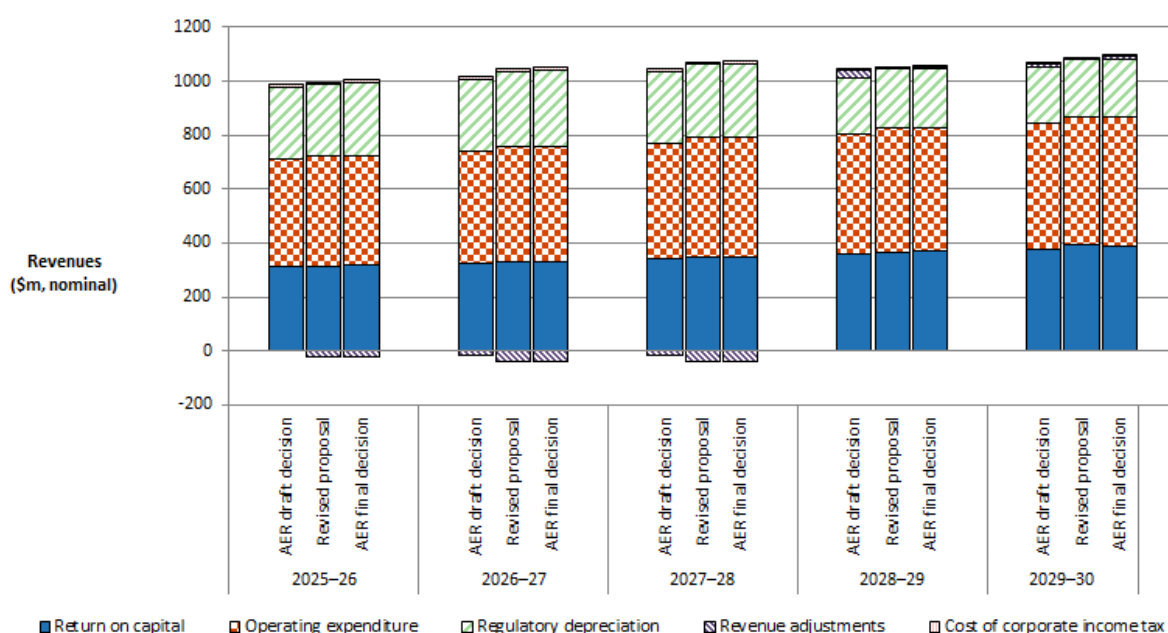
<sup>3</sup> AER, *Draft Decision: SA Power Networks distribution determination 2025–30 – Attachment 1 – Annual revenue requirement*, September 2024, pp. 3–6.

- an increase in the return on capital of \$8.2 million (0.5%). This is driven primarily by a higher rate of return over the 2025–30 period compared to SA Power Networks’ revised proposal, partially offset by a lower opening RAB, a lower forecast capex and a lower expected inflation rate (Attachments 2 and 5, and section 2.2 of the Overview).
- an increase in the regulatory depreciation of \$24.9 million (2.0%) (Attachment 4). This increase is driven primarily by the lower expected inflation rate in our final decision than at the time of SA Power Networks’ revised proposal, which reduces the inflation indexation component of the regulatory depreciation. This is partially offset by a lower straight-line depreciation from a lower opening RAB and reduced forecast capex.
- a reduction in the operating expenditure (opex) forecast of \$8.6 million (0.4%). This is due to the lower expected inflation rate applied in this final decision compared to SA Power Networks’ revised proposal. Our final decision has accepted SA Power Networks’ revised proposed total opex in real 2024–25 dollar terms (section 2.5 of the Overview).
- an increase in the cost of corporate income tax of \$13.6 million (44.3%) (Attachment 7). This is driven primarily by a lower tax depreciation determined in this final decision compared to SA Power Networks’ revised proposal. It is also driven by a higher regulatory depreciation and a higher return on equity amount.
- an increase in the revenue adjustments of \$0.04 million (0.1%) (section 2.7 of the Overview). We have reduced EBSS penalties in this final decision compared to SA Power Networks’ revised proposal, and this is offset by our lower increments for CESS and DMIAM.<sup>4</sup>

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<sup>4</sup> In real 2024–25 dollar terms, our final decision approves a revenue adjustment amount that is \$0.1 million (0.2%) lower than SA Power Networks’ revised proposal.

**Figure 1.1 AER's draft and final decisions, and SA Power Networks' revised proposed ARR (\$ million, nominal)**



Source: AER analysis; SA Power Networks, *1.1 - Post Tax Revenue Model*, December 2024.

Note: Revenue adjustments include EBSS, CESS, shared asset adjustment, and DMIAM amounts. Opex includes debt raising costs.

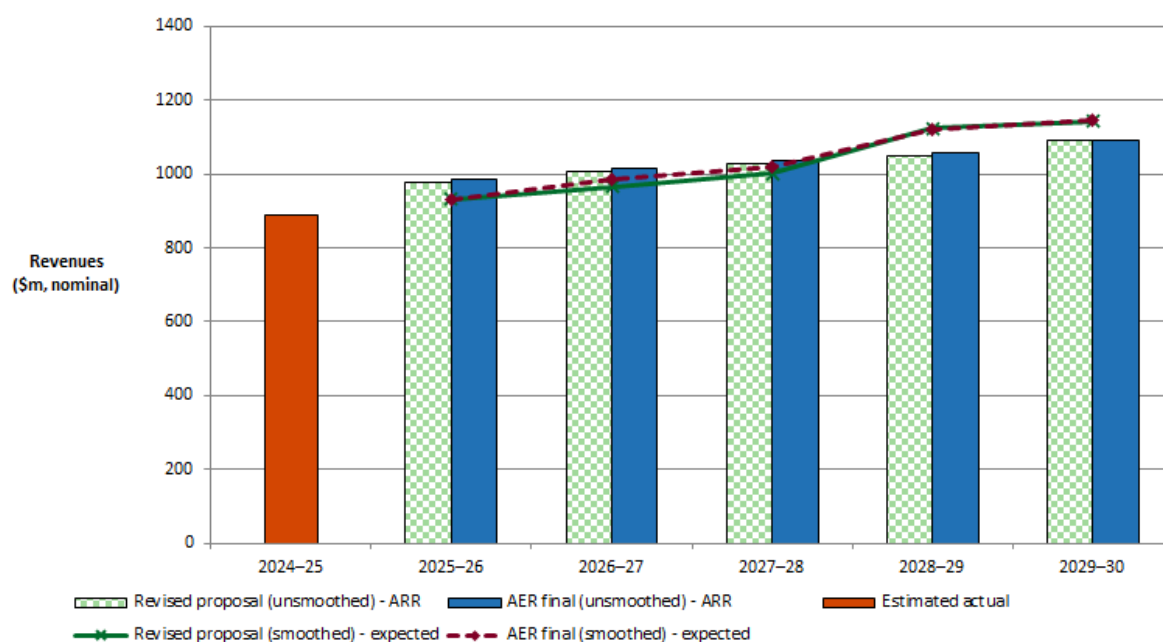
### 1.4.1 X factor and annual expected revenue

For this final decision, we determine X factors for SA Power Networks of –2.95% for 2026–27, –1.00% for 2027–28, –6.98% for 2028–29 and 0.40% for 2029–30.<sup>5</sup> The net present value (NPV) of the ARRs is \$4,336.9 million (\$ nominal) as at 1 July 2025. Based on this NPV and applying the CPI–X method, we determine that the annual expected revenue (smoothed) for SA Power Networks is \$930.9 million in 2024–25 increasing to \$1,148.2 million in 2029–30 (\$ nominal). The resulting total expected revenue for SA Power Networks is \$5,207.0 million for the 2025–30 period.

Figure 1.2 shows our final decision on SA Power Networks' annual expected revenue (smoothed revenue) and the ARR (unsmoothed revenue) for the 2025–30 period.

<sup>5</sup> SA Power Networks is not required to apply an X factor for 2025–26 because we set the 2025–26 expected revenue in this decision.

**Figure 1.2 AER's final decision on SA Power Networks' revenue for the 2025–30 period (\$ million, nominal)**



Source: AER analysis; SA Power Networks, *1.1 - Post Tax Revenue Model*, December 2024.

To determine the profile of expected revenue for SA Power Networks over the 2025–30 period, we have set the expected revenue for the first regulatory year at \$930.9 million (\$ nominal) which is \$56.6 million lower than the ARR for that year. We then apply an expected inflation rate of 2.72% per annum and a profile of X factors to determine the expected revenues in subsequent years.<sup>6</sup>

The X factors we set must be such as to minimise, as far as reasonably possible, the variance between the expected revenue (smoothed) and the ARR (unsmoothed) in the last year of the 2025–30 period.<sup>7</sup> This helps to minimise any potential large revenue variance (and thus price shocks) at the commencement of the 2030–35 period. Our standard approach has been to keep a divergence of up to +/-3% between the smoothed and unsmoothed revenues for the final year of the regulatory period, if this can achieve smoother price changes across the regulatory control periods.

Our draft decision revenue smoothing profile provided a final year revenue difference of 5.0% to help ease the price increases for customers in the earlier years of the 2025–30 period. SA Power Networks' revised proposed revenue smoothing profile also adopted a final year revenue difference of 5.0%.

Consistent with our draft decision and its initial proposal, SA Power Networks' revised proposed revenue smoothing also accounted for the impact of the expiry of the South Australian Government's Solar Feed-in Tariff Scheme from 1 July 2028. It did so by applying

<sup>6</sup> NER, cl. 6.5.9(a).

<sup>7</sup> NER, cl. 6.5.9(b)(2).

a larger increase in the smoothed revenue for year 4 (2028–29), which will be offset by the anticipated reduction in revenue at the annual pricing stage.

We received submissions from the South Australian Council of Social Service (SACOSS) and the South Australian Department for Energy and Mining (SA DEM) on the revenue smoothing approach. SACOSS submitted that the AER and SA Power Networks should exercise caution in adopting a revenue smoothing profile that accounts for the expiry of the Solar Feed-in Tariff Scheme.<sup>8</sup> SA DEM submitted that the step increase to 2028–29 smoothed revenue in our draft decision would mean that bill reductions expected by consumers at the conclusion of the Solar Feed-in Tariff Scheme would not be visible.<sup>9</sup>

Revenue smoothing is a process of smoothing out revenues within a regulatory control period while maintaining cost recovery. It requires diverting some cost recovery to adjacent years within the period to reduce revenue variation from one year to another and minimise the impact of price shocks on consumers. Sometimes factors outside of the revenue determination can materially impact annual pricing. For example, changes in jurisdictional schemes and adjustments for large under- or over-recovery of revenues. In our determinations, we often account for known material impacts to provide an overall smoother revenue outcome.<sup>10</sup>

Currently, the Solar Feed-in Tariff Scheme adds about \$75 million per year at the annual pricing stage. This scheme is scheduled to expire from 1 July 2028 and, following this expiry, there will be a reduction in revenue at the annual pricing stage of about \$75 million. In finalising our revenue smoothing approach, we have considered options that account for the conclusion of the Solar Feed-in Tariff Scheme, as well as those that do not account for the conclusion of this scheme.

For our final decision, we maintain our draft decision approach to adjust the revenue smoothing profile to account for the impact of the expiry of the Solar Feed-in Tariff Scheme from 1 July 2028. Figure 1.3 compares our final decision revenue profile with an alternative profile that does not account for the expiry of the Solar Feed-in Tariff Scheme. It shows that our final decision revenue smoothing approach provides a more stable revenue profile at the annual pricing stage over the 2025–30 period, resulting in smaller revenue increases on average for customers over the first 3 years of the 2025–30 period. Conversely, if we did not account for the expiry of the Solar Feed-in Tariff Scheme in revenue smoothing, we would see higher revenues in the first 3 years before a reduction in revenue in 2028–29, all else being equal. For example, our final decision leads to a 4.7% increase (nominal) in smoothed revenue in year 1 (2025–26), rather than a 5.6% increase if we do not account for the expiry of the Solar Feed-in Tariff Scheme in revenue smoothing.

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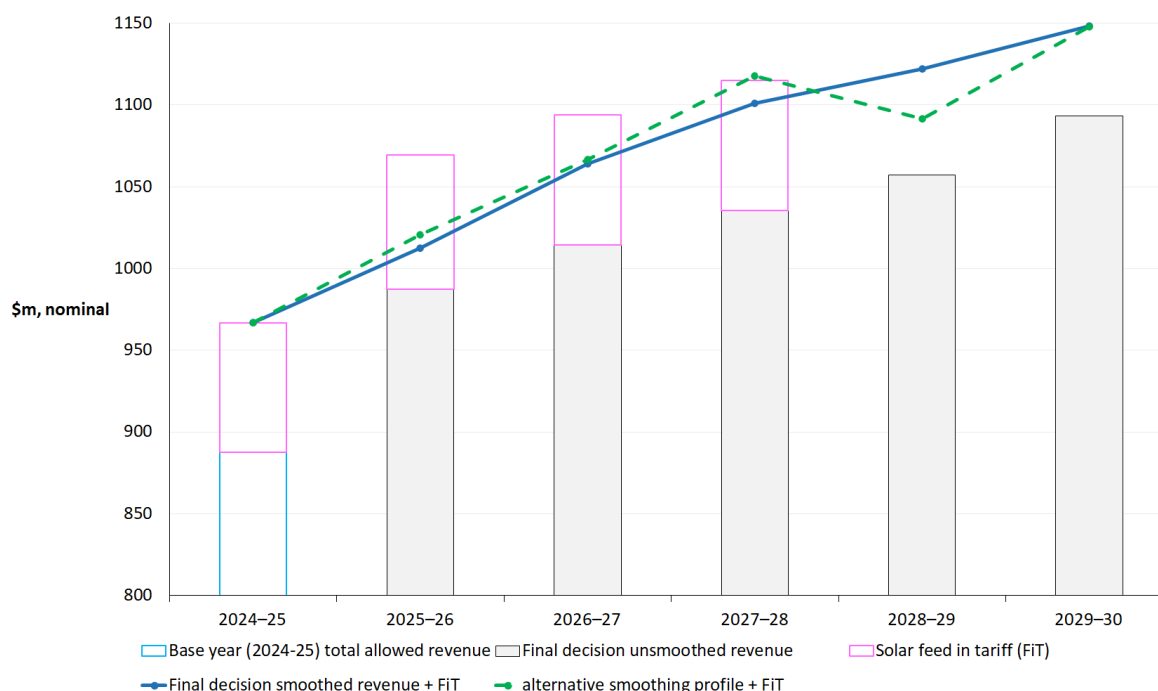
<sup>8</sup> SACOSS, *Submission to the Australian Energy Regulator on SA Power Networks' 2025-30 Revised Regulatory Proposal*, January 2025, p. 6.

<sup>9</sup> Government of South Australia, Department for Energy and Mining, *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*, February 2025, p. 2.

<sup>10</sup> AER, *Final Decision: Transgrid transmission determination 1 July 2023 to 30 June 2028 – Attachment 1 – Maximum allowed revenue*, April 2023, p. 12; AER, *Final Decision: Energex determination 2015–16 to 2019–20 – Attachment 1 – Annual revenue requirement*, October 2015, pp. 11–12.

On balance, we consider that our final decision revenue smoothing approach provides for an overall smoother revenue profile that will help minimise network price variation for customers at the annual pricing stage. In addition, we note that our revenue smoothing approach does not result in SA Power Networks recovering more revenue than the ARR we determined in this final decision. This is because our revenue smoothing approach is consistent with the CPI-X methodology<sup>11</sup>, under which the NPV of the annual expected revenue (smoothed revenues) is equal to the NPV of the ARR (unsmoothed revenues).

**Figure 1.3 Comparison of smoothing profiles for SA Power Networks – AER final decision and alternative approach (\$ million, nominal)**



Source: AER analysis.

Note: Each smoothed revenue profile shown in the chart reflects the summed total of distribution revenue and Solar Feed-in Tariff Scheme revenue at the annual pricing stage.

For this final decision, our revenue smoothing profile provides a final year revenue difference of 5.0%, consistent with our draft decision and SA Power Networks' revised proposal. We consider this will help further ease the price increases for customers in the earlier years of the 2025–30 period. On balance, we consider that our profile of X factors for this final decision result in expected revenues in the last year of the regulatory control period that are as close as reasonably possible to the ARR for that year.<sup>12</sup>

Our final decision results in an average increase of 5.3% per annum (\$ nominal) in the expected revenue over the 2025–30 period.<sup>13</sup> This consists of initial increases of 4.9% for

<sup>11</sup> NER, cl. 6.2.6(a).

<sup>12</sup> NER, cl. 6.5.9(b)(2).

<sup>13</sup> In real 2024–25 dollar terms, our approved expected revenue for SA Power Networks results in an average increase of 2.5% per annum over the 2025–30 period.

2025–26, followed by average annual increases of 5.4% during the remainder of the 2025–30 period.<sup>14</sup>

Our final decision results in an increase of \$1,269.7 million (32.4%) in nominal dollar terms to SA Power Networks' total ARR relative to that in the 2020–25 period.<sup>15</sup> We estimate that:

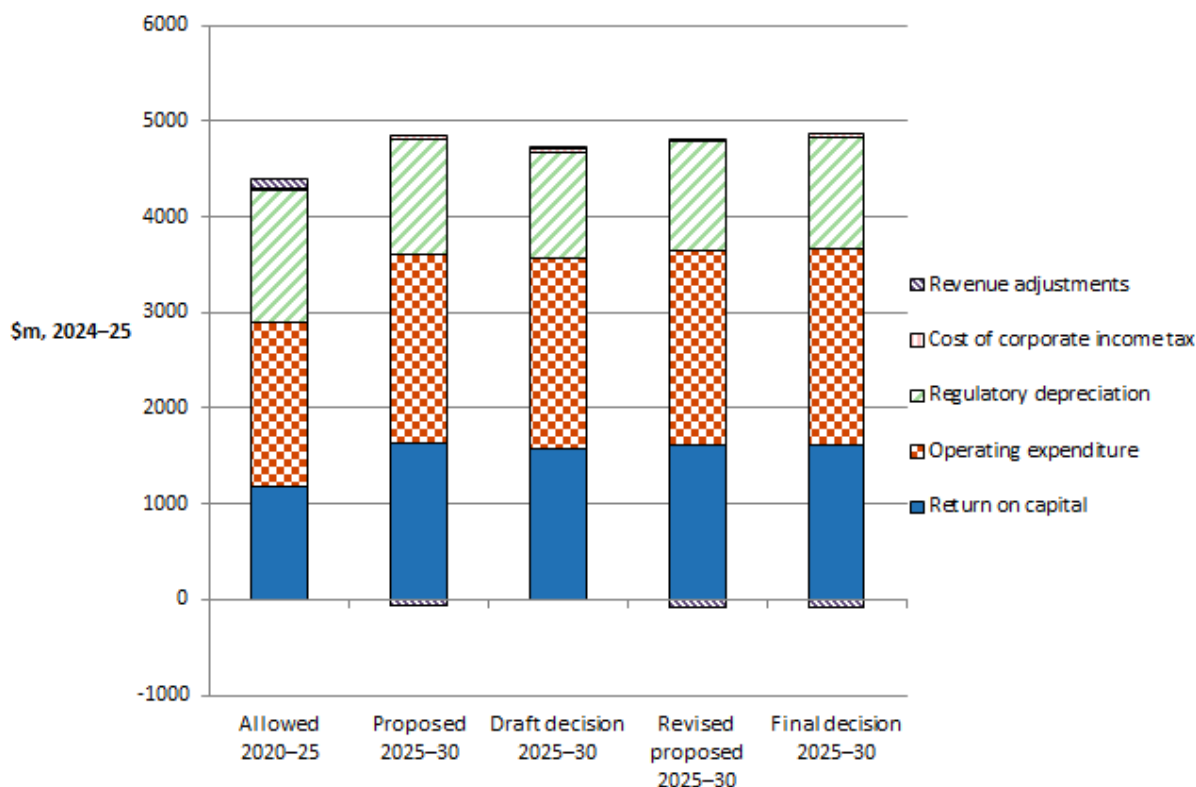
- approximately 46% of the increase is due to factors outside the control of SA Power Networks. This includes higher actual inflation rates for the 2020–25 period, which increase the opening RAB at 1 July 2025. It also includes a higher forecast rate of return for the 2025–30 period (section 2.2 of the Overview to this final decision). Together, these changes in market variables result in a much higher return on capital building block compared to the current period.
- the other 54% of the increase is driven by controllable factors including forecast capex and forecast opex determined for the 2025–30 period that are higher than the amounts approved in the 2020–25 distribution determination (Attachment 5 for capex and section 2.5 of the Overview for opex).

Figure 1.4 compares our final and draft decision building blocks for SA Power Networks' 2025–30 period with its proposed and revised proposed revenue requirements for the same period, and the approved unsmoothed revenue for the 2020–25 period.

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<sup>14</sup> In real 2024–25 dollar terms, this consists of initial increase of 2.1% for 2025–26, followed by annual average increases of 2.6% during the remainder of the 2025–30 period.

<sup>15</sup> In real 2024–25 dollar terms, our final decision results in an increase of \$393.7 million (9.0%) to SA Power Networks' total ARR relative to that in the 2020–25 period.

**Figure 1.4 Total revenue by building block components (\$ million, 2024–25)**

Source: AER analysis.

### 1.4.2 Shared assets

Our final decision is to apply a shared asset revenue adjustment to SA Power Networks' total expected revenue for the 2025–30 period.

In our draft decision, we accepted SA Power Networks' proposal to apply a shared asset revenue adjustment to its revenues using the method from our shared asset guideline.<sup>16</sup> Our draft decision shared asset adjustment<sup>17</sup> was consistent with the amounts SA Power Networks calculated in its initial proposal.<sup>18</sup>

SA Power Networks' revised proposal adopted the shared asset revenue adjustment amounts set out in our draft decision. Consistent with the draft decision, we confirm our assessment that SA Power Networks' forecast unregulated revenues from shared assets for the 2025–30 period are reasonable.

Our final decision sets higher expected revenues than SA Power Networks' revised proposal. We have calculated that SA Power Networks' unregulated revenues will be greater than 1% of its expected revenues in each year of the 2025–30 period. Hence, the materiality threshold

<sup>16</sup> AER, *Draft Decision: SA Power Networks distribution determination 2025–30 – Attachment 1 – Annual revenue requirement*, September 2024, pp. 11–12.

<sup>17</sup> AER, *Draft Decision – SA Power Networks – 2025–30 Distribution revenue proposal – PTRM*, September 2024.

<sup>18</sup> SA Power Networks, *1.1 - Post Tax Revenue Model*, January 2024.

is met in each year of the 2025–30 period and we apply a shared asset revenue adjustment over this period.

For this final decision, we determine a shared asset revenue adjustment of \$9.6 million (\$ 2024–25) for SA Power Networks' 2025–30 period, consistent with the draft decision and SA Power Networks' revised proposal.

Table 1.3 compares the shared asset revenue adjustment in SA Power Networks' revised proposal and our final decision.

**Table 1.3 AER's final decision on SA Power Networks' shared asset revenue adjustment (\$ million, 2024–25)**

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
SA Power Networks' Revised Proposal	–1.9	–1.9	–1.9	–1.9	–1.9	–9.6
<b>AER final decision</b>	<b>–1.9</b>	<b>–1.9</b>	<b>–1.9</b>	<b>–1.9</b>	<b>–1.9</b>	<b>–9.6</b>

Source: AER analysis; *SA Power Networks, 1.1 - Post Tax Revenue Model*, December 2024.

### 1.4.3 Indicative average distribution price impact

Our final decision on SA Power Networks' expected revenues ultimately affects the prices customers pay for electricity. There are several steps required in translating our revenue decision into indicative distribution price impacts.

We regulate SA Power Networks' SCS under a revenue cap form of control. This means our final decision on SA Power Networks' expected revenues does not directly translate to price impacts. This is because SA Power Networks' revenue is fixed under the revenue cap form of control, so changes in the consumption of electricity will affect the prices ultimately charged to customers.

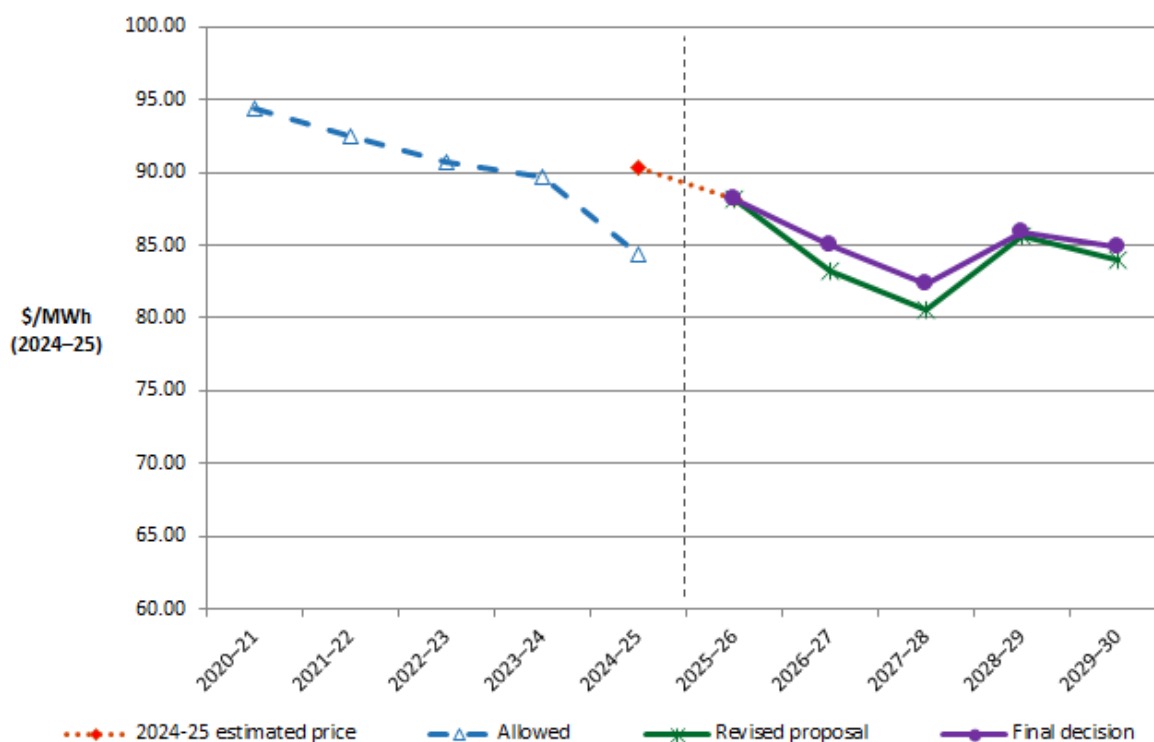
For these reasons, we are not required to establish the distribution prices for SA Power Networks as part of this determination. However, we will assess SA Power Networks' annual pricing proposals before the commencement of each regulatory year within the 2025–30 period. In each assessment we will administer the pricing requirements set in this distribution determination.

For this final decision, we have estimated some indicative average distribution price impacts flowing from our final determination on the expected revenues for SA Power Networks over the 2025–30 period. In this section, our estimates only relate to the core SCS (that is, the core electricity distribution charges),<sup>19</sup> not alternative control services (such as public lighting). These indicative price impacts assume that actual energy consumption across the 2025–30 period matches SA Power Networks' forecast energy consumption, which we have adopted for this final decision. We have not factored in any changes arising from incentive scheme amounts, cost pass throughs or unders/overs reconciliation that usually occur in the annual pricing process to come up with the total allowed revenue.

<sup>19</sup> Our final decision on metering services is discussed in Attachment 20.

Figure 1.5 shows SA Power Networks' indicative average price path over the period 2020–21 to 2029–30 in real 2024–25 dollar terms based on the expected revenues established in our final decision, compared to SA Power Networks' revised proposed revenue requirement. The indicative price path is estimated using the approved expected revenue and dividing it by forecast energy consumption for each year of the 2025–30 period.

**Figure 1.5 Indicative distribution price path for SA Power Networks (\$/MWh, 2024–25)**



Source: AER analysis.

We estimate that our final decision on SA Power Networks' annual expected revenue will result in a decrease to average distribution charges by about 1.3% per annum over the 2025–30 period in real 2024–25 dollar terms.<sup>20</sup> SA Power Networks' revised proposal provided for an average real decrease of approximately 1.5% per annum over the 2025–30 period for its distribution charges.<sup>21</sup> These high-level estimates reflect the aggregate change across the entire network and do not reflect the particular tariff components for specific end users.

Table 1.4 shows in nominal terms the comparison of the revenue and price impacts of SA Power Networks' revised proposal and our final decision.

<sup>20</sup> In nominal terms, we estimate average distribution charges to increase by 1.4% per annum. This amount reflects an expected inflation rate of 2.72% per annum as determined in this final decision.

<sup>21</sup> In nominal terms, SA Power Networks' revised proposal would increase distribution charges by 1.4% per annum. This amount reflects an expected inflation rate of 2.85% per annum as proposed by SA Power Networks in its revised proposal.

**Table 1.4 Comparison of revenue and price impacts of SA Power Networks' revised proposal and the AER's final decision (\$ nominal)**

	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
<b>AER final decision</b>						
Revenue (\$ million)	887.6	930.9	984.4	1,021.3	1,122.3	1,148.2
Price path (\$/MWh) <sup>a</sup>	90.38	90.52	89.66	89.28	95.69	97.04
Revenue (change %)	-	4.9%	5.7%	3.7%	9.9%	2.3%
Price path (change %)	-	0.2%	–0.9%	–0.4%	7.2%	1.4%
<b>SA Power Networks' revised proposal</b>						
Revenue (\$ million)	887.6	932.0	966.5	1,002.3	1,123.4	1,143.8
Price path (\$/MWh) <sup>a</sup>	90.38	90.64	88.04	87.62	95.79	96.67
Revenue (change %)	-	5.0%	3.7%	3.7%	12.1%	1.8%
Price path (change %)	-	0.3%	–2.9%	–0.5%	9.3%	0.9%

Source: AER analysis; SA Power Networks, *1.1 - Post Tax Revenue Model*, December 2024.

(a) The price path is in nominal terms and is constructed by dividing nominal expected revenue for the core SCS by forecast energy consumption for each year of the period.

#### 1.4.4 Expected impact of draft decision on electricity bills

The annual electricity bill for customers in SA Power Networks' network reflects the combined costs of all the electricity supply chain components—wholesale energy generation, transmission, distribution, metering, and retail costs. This final decision primarily relates to the distribution charges for SA Power Networks' core SCS, which represent approximately 27.5% on average for residential customers' and 27.4% on average for small business customers' annual electricity bills in SA Power Networks' network area.<sup>22</sup>

We estimate the expected bill impact by varying the distribution charges in accordance with our final decision in this attachment, while holding all other components—including the metering component—constant.<sup>23</sup> This approach isolates the effect of our final decision on the core distribution charges only for SA Power Networks. However, this does not imply that other components will remain unchanged across the period.<sup>24</sup>

<sup>22</sup> AER analysis; SA Power Networks, *2024–25 – Annual ACS pricing model*, 19 April 2024; AER, *Default Market Offer Prices 2024–25: Final Determination*, June 2024, p. 6.

<sup>23</sup> We also have not factored in any changes arising from incentive scheme amounts, cost pass throughs or unders/overs reconciliation that usually occur in the annual pricing process to come up with the total allowed revenue.

<sup>24</sup> It also assumes that actual energy consumption will equal the forecast adopted in our final decision. Since SA Power Networks operates under a revenue cap, changes in energy consumption will also affect annual electricity bills across the 2025–30 period.

Based on this approach, we expect that our final decision on the distribution component will increase the average annual residential electricity bill in 2029–30 by about \$45 (\$ nominal) or 2.0% from the 2024–25 total bill level.

Similarly, we expect that our final decision will result in the distribution component of the average annual electricity bill for a small business customer in 2029–30 to increase by about \$108 (\$ nominal) or 2.0% from the 2024–25 total bill level.

Our estimated bill impact is based on the typical annual electricity usage of 4,000 kWh for residential customers and 10,000 kWh for small business customers in SA Power Networks' network.<sup>25</sup> Therefore, customers with different usage will experience different changes in their bills. We also note that there are other factors which we have not considered here, such as metering, and wholesale and retail costs, which affect electricity bills.

Table 1.5 shows our estimated impact of our final decision and SA Power Networks' revised proposal on the average annual electricity bills for residential and small business customers in its network over the 2025–30 period.

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<sup>25</sup> AER, *Revised final determination – Default Market Offer Prices 2024–2025*, June 2024, p. 6.

**Table 1.5** Estimated impact of SA Power Networks' revised proposal and AER's final decision on annual electricity bills for the 2025–30 period (\$ nominal)

	2024–25 <sup>a</sup>	2025–26	2026–27	2027–28	2028–29	2029–30
<b>AER final decision</b>						
Residential annual electricity bill	2,230	2,231	2,225	2,223	2,266	2,275
Annual change <sup>b</sup>	-	1 (0.0%)	-6 (-0.3%)	-3 (-0.1%)	44 (2%)	9 (0.4%)
Small business annual electricity bill	5,352	5,354	5,340	5,334	5,438	5,460
Annual change <sup>b</sup>	-	2 (0.0%)	-14 (-0.3%)	-6 (-0.1%)	104 (2%)	22 (0.4%)
<b>SA Power Networks revised proposal</b>						
Residential annual electricity bill	2,230	2,232	2,214	2,211	2,267	2,273
Annual change <sup>b</sup>	-	2 (0.1%)	-18 (-0.8%)	-3 (-0.1%)	55 (2.5%)	6 (0.3%)
Small business annual electricity bill	5,352	5,356	5,314	5,307	5,440	5,454
Annual change <sup>b</sup>	-	4 (0.1%)	-42 (-0.8%)	-7 (-0.1%)	132 (2.5%)	14 (0.3%)

Source: AER analysis; SA Power Networks, *2024-25 annual SCS pricing model*, 19 April 2024; AER, *Revised final determination – Default Market Offer Prices 2024–2025*, June 2024, p. 6.

- (a) AER, *Revised final determination – Default Market Offer Prices 2024–2025*, June 2024, p. 6.
- (b) Annual change amounts and percentages are indicative. They are derived by varying the distribution component of the 2023–24 bill amounts in proportion to yearly expected revenue divided by forecast energy as provided by SA Power Networks. Actual bill impacts will vary depending on electricity consumption and tariff class.

As noted in section 1.4.1, we have applied a larger increase in revenue for 2028–29 to account for the cessation of the Solar Feed-in Tariff Scheme consistent with SA Power Networks' revised proposed revenue smoothing approach. This has resulted in a larger increase in the annual bill in 2028–29 compared to the bill impact in other years as shown in Table 1.5. However, we expect that this increase will be offset by the anticipated reduction to the network component of annual electricity bills once the Solar Feed-in Tariff Scheme expires, which is estimated to be around \$46 for a typical residential customer.<sup>26</sup>

<sup>26</sup> SA Power Networks, *2025-30 Regulatory Proposal Overview*, January 2024, p. 82.

#### 1.4.4.1 Stakeholder submissions on residential consumption profiles and associated bill impacts

As discussed above, our estimated bill impact is based on the typical annual electricity usage of 4,000 kWh for a residential customer. Consumer Challenge Panel, sub-panel 30 (CCP30) and SACOSS submitted that this average consumption does not appropriately consider the impact of solar PV. It noted that households with solar PV draw less electricity from the grid, whereas those without solar PV consume more electricity as they are completely reliant on the grid. CCP30 provided alternative annual consumptions for a residential household without solar PV, which were 6,205 kWh, 7,100 kWh and 15,000 kWh.<sup>27</sup> SACOSS also submitted that the average consumption of 4,000 kWh does not account for the higher energy consumption patterns of households experiencing energy hardship. Referencing the Australian Competition and Consumer Commission (ACCC)'s *Inquiry into the National Electricity Market Report*<sup>28</sup>, SACOSS noted that the median grid consumption for hardship customers (not on a concession) was 7,684kWh, with hardship customers on the 75th percentile using 11,035 kWh.<sup>29</sup>

We acknowledge the concerns raised by CCP30 and SACOSS relating to the higher electricity consumptions and in turn higher bills faced by customers without solar PV and hardship customers. As such, we have provided bill impacts based on various consumption levels to help customers with different level of usage understand the potential impact of our final decision on their electricity bills.

Table 1.6 shows the bill impact under each of the consumptions provided by the stakeholder submissions for households without access to solar PV and for hardship customers. Under each consumption level, we have provided an estimated annual bill amount for 2024–25 and the impact of our final decision on bills at the end of 2025–30 period compared to the 2024–25 bill amount. For example, we note that the median grid consumption of 7,684 kWh<sup>30</sup> noted by SACOSS provides an estimated consumption level for hardship customers.<sup>31</sup> For this consumption level, we estimate that our final decision will increase the distribution component of the electricity bill in 2029–30 by about \$72 (\$ nominal) or 1.9% from the 2024–25 total bill level.

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<sup>27</sup> CCP30, *Submission on Reflections of SAPN, Ergon Energy and Energex's regulatory processes for 2025-30 determinations*, January 2025, pp. 10–11.

<sup>28</sup> ACCC, *Inquiry into the National Electricity Market Report*, June 2024.

<sup>29</sup> SACOSS, *Submission to the Australian Energy Regulator on SA Power Networks' 2025-30 Revised Regulatory Proposal*, January 2025, pp. 13–16. This is based on the 2022–23 grid usage data from: ACCC, *Inquiry into the National Electricity Market Report, Appendix E*, June 2024.

<sup>30</sup> ACCC, *Inquiry into the National Electricity Market Report, Appendix E*, June 2024.

<sup>31</sup> This reflects hardship customers without access to solar PV or other high consumption sources (such as swimming pools).

**Table 1.6      Alternative consumption profiles and bill impacts for residential customers (\$ nominal)**

Submission	Source	Consumption profile	Annual consumption	2024–25 bill	Bill impact over 2025–30 period
CCP30	Skyline Solar	Family with 2 children, no solar PV	6,205 kWh	\$3,140	61 (2.0%)
CCP30	Finder	Household of 4 with 2 children, no solar PV	7,100 kWh	\$3,510	68 (1.9%)
SACOSS	ACCC, Inquiry into the National Electricity Market Report	median grid usage for hardship customers (not on a concession) 2022-23	7,684 kWh	\$3,751	72 (1.9%)
SACOSS	ACCC, Inquiry into the National Electricity Market Report	75th percentile grid usage for hardship customers (not on a concession) 2022-23	11,035 kWh	\$5,134	97 (1.9%)
CCP30	Red Energy	Family with 2 children, no solar PV, swimming pool	15,000 kWh	\$6,770	126 (1.9%)

Source: AER analysis; CCP30, *Submission on Reflections of SAPN, Ergon Energy and Energex's regulatory processes for 2025-30 determinations*, January 2025; SACOSS, *Submission to the Australian Energy Regulator on SA Power Networks' 2025-30 Revised Regulatory Proposal*, January 2025.

## Shortened forms

Term	Definition
ACCC	Australian Competition and Consumer Commission
AER	Australian Energy Regulator
ARR	annual revenue requirement
capex	capital expenditure
CCP30	Consumer Challenge Panel, sub-panel 30
CESS	capital expenditure sharing scheme
CPI	consumer price index
DMIAM	demand management innovation allowance mechanism
DMO	default market offer
EBSS	efficiency benefit sharing scheme
NER	National Electricity Rules
NPV	net present value
opex	operating expenditure
PTRM	post-tax revenue model
RAB	regulatory asset base
RFM	roll forward model
SACOSS	South Australian Council of Social Service
SA DEM	South Australian Department for Energy and Mining
SCS	standard control services