

# Framework and approach

SA Power Networks Regulatory control period  
commencing 1 July 2025

July 2023

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# 1 Introduction

The Australian Energy Regulator (AER) exists to ensure energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable, and affordable energy future for Australia. The regulatory framework governing electricity transmission and distribution networks is the National Electricity Law and Rules (NEL and NER). Our work is guided by the National Electricity Objective (NEO).

A regulated network business must periodically apply to us for a determination of the revenue it can recover from consumers using its network. South Australian electricity distribution network service provider SA Power Networks (SAPN) is due to submit its next revenue proposal on 31 January 2024, for the period 1 July 2025 to 30 June 2030 (2025–30 period).

The Framework and Approach (F&A) process is the first formal step in a two-year regulatory process to determine efficient prices for SAPN's distribution services and sets the foundation for the regulatory reset and the revenue proposal. It covers key elements of the upcoming determination and supports early consultation opportunities on these before SAPN prepares and submits its revenue proposal. These elements include:

- Which services will be covered by our revenue determination,<sup>1</sup> and the form of regulation or price control that will apply to them.<sup>2</sup> For example, we may determine that costs for a particular service can be bundled into a generic electricity supply service (standard control service) and recovered from all customers. Alternatively, we may decide that charging for a service on a user-pays basis is more appropriate (alternative control service), or to allow consumers and network service providers to negotiate the price of a service (negotiated distribution service).
- Which incentive schemes will apply, for example, to service quality, maintaining or improving network reliability or efficient capital and operating expenditure (capex and opex).<sup>3</sup> The purpose of incentive schemes is to encourage network service providers to manage their business in a safe, reliable manner that serves the long-term interests of consumers. The schemes provide network service providers with incentives to only incur efficient costs and to meet or exceed service quality targets.
- Our approach to setting efficient expenditure allowances<sup>4</sup> and the establishment of the opening regulatory asset base for the 2025–30 period.<sup>5</sup>

The F&A that has applied to SAPN in the current, 2020–25 period was published in July 2018. Since then, we have seen significant transition in the energy market and the rules, schemes and guidelines under which we regulate electricity networks.

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<sup>1</sup> NER, cl. 6.8.1(b)(2)(i).

<sup>2</sup> NER, cl. 6.8.1(b)(1)(i); 6.8.1(2)(ii).

<sup>3</sup> NER, cl. 6.8.1(b)(2)(iii), (iv), (v), (vi), (vii).

<sup>4</sup> NER, cl. 6.8.1(b)(2)(viii).

<sup>5</sup> NER, cl. 6.8.1(b)(2)(ix).

On 31 October 2022, SAPN wrote to us asking us to consider amending and replacing its current F&A in preparation for the 2025–30 period. We published SAPN’s request on our website and sought submissions from stakeholders on whether amendments to the F&A were necessary or desirable.

Having received no submissions, we considered the information provided by SAPN and decided that we will make an amended or replacement F&A for SAPN. Our reasons for commencing this review were set out in a decision published in December 2022.<sup>6</sup>

We published our preliminary position paper on the F&A in March 2023<sup>7</sup> and invited stakeholders to make written submissions on proposed approaches to the new F&A.

We received submissions from SAPN, Energex and Ergon Energy (Ergon), and the South Australian Council of Social Service (SACOSS). These submissions, which are available on our website<sup>8</sup>, are discussed in the sections below. Whilst the submission from Ergon and Energex focussed more on Queensland, we have still considered their observations where relevant for the South Australian market.

## 1.1 Next steps

The table below provides an indicative timeframe for the remaining stages of our distribution determination for SAPN. These are subject to change.

**Table 1 Indicative timeline for SAPN electricity distribution determination**

Milestone	Indicative date
SAPN submits revenue proposal to AER	January 2024
AER publishes issues papers and holds public forum	March/April 2024
Submission on SAPN revenue proposal closes	May 2024
AER publishes draft determination	September 2024
AER holds pre-determination conference	October 2024
SAPN submits revised revenue proposal to AER	December 2024
Submissions on SAPN’s revised revenue proposal and AER’s draft decision close	January 2025
AER publishes final determination	April 2025

<sup>6</sup> AER - Replacement of framework and approach papers - Ergon Energy, Energex, SA Power Networks and Directlink - December 2022

<sup>7</sup> AER - Preliminary position paper - QLD and SA Framework and Approach papers for 2025–30 - March 2023.

<sup>8</sup> [F&A Submissions - Ergon, Energex and SAPN April 2023](#)

## 2 Service classification

Service classification determines the nature of economic regulation, if any, applicable to specific distribution services. Classification is important to customers as it determines which network services are included in basic electricity charges, the basis on which additional services are sold, and those services we will not regulate.

Our decision reflects our assessment of a number of factors, including existing and potential competition to supply these services. Our Electricity Distribution Service Classification Guideline 2022 (2022 Guideline)<sup>9</sup> provides a practical explanation of how we classify distribution services.

The classifications available to us are:

- classify a service so the distributor may recover related costs from all customers (direct control – standard control service)
- classify a service so the user benefiting from the service pays (direct control – alternative control service)
- allow customers and distributors to negotiate the provision and price of some services – we will arbitrate should negotiations stall (negotiated distribution service)
- not to classify a service – we have no regulatory control over this service, or the prices charged by the distributor (unregulated service).

Appendix A sets out our proposed approach to the classification of distribution services in our forthcoming, 2025–30 distribution determination for SAPN, and where these will change from those that have applied in the current, 2020–25 period.<sup>10</sup>

Updates to service classifications from the current, 2020–25 period largely reflect the outcomes of extensive consultation on service classifications for electricity distributors in NSW, ACT, Tasmania, and the Northern Territory in finalising F&A papers for their 2024–29 regulatory control periods. SAPN was also active in these consultations. They also include updates consistent with our 2022 Guideline, which has been reviewed and amended since service classifications for the 2020–25 period were determined to take into account the *National Electricity Amendment (Regulated stand-alone power systems) Rule 2022*. That rule requires regulated stand-alone power systems (SAPS) to be treated the same as the interconnected components of the distribution network for the purposes of service classification and directs us to include regulated SAPS as a distribution service.

These and other key updates made to the classification of services from the 2020–25 period are summarised below.

### 2.1 Common distribution services

Common distribution services are concerned with providing a safe and reliable electricity supply to customers. They are intrinsically tied to the network infrastructure and the systems

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<sup>9</sup> [AER - Distribution service classification guideline - August 2022](#)

<sup>10</sup> NER, cl. 6.8.1(b)(2)(i).

that support the shared use of the distribution network by customers. The range of activities that make up the common distribution service are not contestable. As a consequence, common distribution services are classified as direct control services, and further as standard control services.

Key changes to the classification of common distribution services are summarised below. Where no amendments to the common distribution service grouping have been requested by distributors, and the services remain consistent with the 2022 Guideline<sup>11</sup> and our most recent service classification positions for other distributors, we are satisfied for the reasons set out in those decisions that these remain appropriate.

### 2.1.1 Regulated stand-alone power systems (SAPS)

The *National Electricity Amendment (Regulated stand-alone power systems) Rule 2022*<sup>12</sup> determined that regulated SAPS are to be treated the same as other distribution services for the purposes of classification. Further, the rule change stipulates that the distribution services provided by regulated SAPS are to be classified as a standard control service.<sup>13</sup> These amendments were incorporated into the 2022 Guideline in August 2022.<sup>14</sup>

SAPN proposed to include regulated SAPS as an activity by including the wording “work related to a distributor-led (SAPS) deployment, operation and maintenance (including fault and emergency repairs) and customer conversion activities”<sup>15</sup> in its common distribution service. We received no submissions on this approach and, as in our preliminary position paper, we accept these inclusions.

Proposed approach to classification in 2025–30: Include SAPS as a standard control common distribution service.

### 2.1.2 Rectification of simple customer faults

Ergon and Energex proposed the addition of a new service for the rectification of simple customer fault activity under the common distribution service group, and therefore as a standard control service. This new service is to allow for the rectification of simple customer faults that are generally located behind the meter on customers’ premises and are discovered when investigating customer outages.

SAPN did not initially propose this amendment to its common distribution service group, however our preliminary position was to include it in the interests of consistency between networks and jurisdictions, noting the potential it creates for an improved customer experience. SAPN’s submission in response to our preliminary position paper supported this change and, as in our preliminary position paper, we have included it in our final F&A.

<sup>11</sup> [AER - Distribution service classification guideline - August 2022](#)

<sup>12</sup> [National Electricity Amendment \(Regulated stand-alone power systems\) Rule 2022](#)

<sup>13</sup> NER, cl. 6.2.1A(b),(c).

<sup>14</sup> [AER Decision - Updating instruments for regulated stand-alone power systems - August 2022](#), p. 12

<sup>15</sup> [AER - Distribution service classification guideline - August 2022](#), p. 23.

Proposed approach to classification in 2025–30: Include rectification of simple customer faults as a standard control, common distribution service.

### 2.1.3 Provision of basic energy advisory services

In the current period, SAPN has provided some advisory services to its customers. To date, these have been adequately covered within the current standard control service classification.

For the 2025–30 period, SAPN submitted it had received strong stakeholder support for providing additional advisory services including, for example, assistance with interpreting electricity bills and understanding retail offers, but that further investigation regarding scope and options was still ongoing. Accordingly, our preliminary position was not to classify this service. Further engagement was conducted by SAPN with its People’s Panel in March 2023, however SAPN confirmed in its submission on our preliminary position paper that the Panel did not support SAPN’s energy advisory service as proposed.<sup>16</sup>

SACOSS advised in its submission to us that it does not support the classification of this service as a standard control (common distribution) service as it believes energy advisory services should not be provided by private electricity distribution network businesses where costs are recovered from all consumers through energy bills, disproportionality impacting low-income consumers.

We have considered all submissions and, as in our preliminary position paper, our final position is not to classify the provision of basic energy advisory services at this time. We understand from SAPN that consultation with stakeholders is ongoing on the development and refinement of an energy advisory service that is aimed at meeting the needs of customers. We will have the opportunity to consider the appropriate classification for this potential service if SAPN’s ongoing consumer engagement ultimately supports, and SAPN incorporates, its inclusion in SAPN’s 2025–30 regulatory proposal. As noted in our preliminary position paper, we expect that engagement on this issue would include seeking customer preferences as to its classification and how any costs for this service would be recovered.

Proposed approach to classification in 2025–30: Not to classify the provision of basic energy advisory services.

### 2.1.4 Leasing of excess battery capacity

SAPN noted in its original submission that grid-scale batteries are an emerging technology that can increase the grid’s renewables hosting capacity, support security of the overall energy system and put downward pressure on electricity prices by providing a flexible alternative to traditional network investment. SAPN, having considered this issue at length, submitted they did not consider any F&A changes were required to support the leasing of excess battery capacity.

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<sup>16</sup> [F&A Submissions - Ergon, Energex and SAPN April 2023](#)



We remain satisfied that the regulatory treatment of this service has already been addressed in our Ring-fencing guideline.<sup>17</sup> SAPN agrees that further identification of the service, either as an unregulated distribution or non-distribution service, is not necessary. This approach is consistent with that taken in our most recent service classifications for other networks. It remains consistent with the NER<sup>18</sup> and the framework set out in the 2022 Guidelines,<sup>19</sup> which does not require us to list or define services that are not classified.<sup>20</sup>

Proposed approach to classification in 2025–30: Not to classify the leasing of excess battery capacity.

### 2.1.5 Customer export services

Our preliminary position, consistent with SAPN's initial submission position, was to recognise export services as part of the standard control, common distribution service grouping, but not to list them as a separate activity.

We note SACOSS's opposition to our approach to treating the export service the same as the consumption service unless export tariffs are in place to ensure equitable cost distribution. Our approach is, however, consistent with the Australian Energy Market Commission's (AEMC) access, pricing and incentive arrangements for the distributed energy resources (DER) rule change<sup>21</sup> which, in particular, removed the direction-specific definition of the distribution network in order to treat the classification of exports the same as consumption.

Not specifically listing either export or consumption services avoids any confusion around how the two services are treated in, for example, planning, design and operation. This means distributors will be able to operate their networks in relation to forecast network demand requirements, regardless of the direction of that demand.

We consider that customer requested enhancements to the network to account for a particular level of export capacity beyond the intrinsic hosting capacity of the local network (e.g. so that they require design and build that exceeds the minimum technical specification) are more appropriately accounted for as an 'enhanced connection services', as we discuss in section 2.4.1 below. Accordingly, SAPN has proposed to delete references to large embedded generators from the enhanced connection services. This means:

- No change for small-embedded generation connections with these continuing to be treated as basic connections.
- Large embedded generators would become treated as negotiated connections with customers fully funding premises connection (alternative control), and any augmentation or extension classified as a standard control service and recovered from all customers.

<sup>17</sup> AER - Ring-fencing guideline (Electricity distribution) - Version 3 - November 2021

<sup>18</sup> NER, cl. 6.2.1(a)

<sup>19</sup> [AER - Distribution service classification guideline - August 2022](#)

<sup>20</sup> AER - Distribution service classification guideline - August 2022, p. 19

<sup>21</sup> [AEMC, Access, pricing and incentive arrangements for DER resources, Rule Determination, 12 August 2021](#)

Large embedded generators may be required to pay a capital contribution towards augmentation with the charges determined in accordance with the connection policy.

- Large embedded generator connections requested above the least cost technically accepted level (LCTAS) would be treated as enhanced connections. The customer would fully fund the premises connection (alternative control), with any extension or augmentation up to the LCTAS treated as standard control, with capital contributions for augmentation costs continuing to apply. The customer would also fully fund all work required above the LCTAS as an alternative control service.

SAPN's view is that the recovery of network augmentation costs as a standard control service is more consistent with the open access nature of the regulatory framework, where, as more customers connect to the DER over time, hosting capacity is intended to be shared across all DER customers regardless of whether they have connected to the network.

We note SACOSS's request that we review SAPN's proposal to ensure that non-solar customers are not subsidising network augmentation costs to support large embedded generators.

The NEL requires us to make our decision in a manner that contributes to the NEO, to promote efficient investment in, and operation and use of, electricity services in the long-term interest of consumers. In general, we consider that the long-term interests of consumers are best served where they receive a reasonable level of safe and reliable service at least cost in the long run. Increasing the level of renewable electricity that is fed into the network has the potential to lower carbon emissions, deliver better system capacity and reliability, and enable distributors to manage demand more efficiently across their network with lower network augmentation expenditure than otherwise would have been required. These are outcomes that all consumers are likely to benefit from in both the short and long term.

Proposed approach to classification in 2025–30: To recognise customer export services as standard control, common distribution, but not list them separately.

### **2.1.6 Electric vehicle charging infrastructure**

In seeking this review of its F&A, SAPN noted that the uptake of electric vehicles (EVs) in South Australia is continuing to increase. It suggested that SAPN would be an enabler of electric vehicle charging infrastructure, with the physical deployment of electric vehicle charging for public use expected to be delivered by the contestable market. SAPN believed this facilitation role is already adequately captured within common distribution and connection services.

It submitted, however, that there are unique challenges for the uptake up of electric vehicles in rural and regional Australia, and that regulatory reform may be required if the market fails to deliver the necessary charging infrastructure, requiring distribution network service providers to play more than a facilitative role in the provision of electric vehicle charging infrastructure in some regions. This being the case, SAPN noted that distributors may also be required to provide electric vehicle charging of last resort services and proposed that this service should be considered in the development of the F&A for the 2025–30 period.

Our preliminary position was that greater clarity around the direction that electric vehicle charging infrastructure takes, and the nature of the service SAPN could be required to provide, would be necessary before we could make an informed decision on the classification of such services. These included the potential for service providers other than SAPN to provide competitive services in this area. SAPN endorsed our view in its submission. We remain of the view that it is not appropriate to propose a classification for any such service at this time.

Proposed approach to classification in 2025–30: Not to classify electric vehicle charging of last resort services.

### 2.1.7 Solar For renters

SAPN noted in its original submission that the ability for renters to access the benefits of solar photovoltaic (PV) services has been difficult to achieve. It submitted there was broad feedback from its ‘focussed conversations’ workshops with stakeholders and its People’s Panel for developing programs to support vulnerable customers, but that concerns remained regarding the implementation and delivery of the program.

In response to this feedback, SAPN informed us it is continuing to explore options with government and industry stakeholders to provide a solar service for renters in South Australia. Discussions are at an early stage and, whilst it is unclear what role SAPN might play in the delivery of any service, SAPN asked that this be noted as an option for consideration in the development of the F&A for 2025–30 period, potentially as a direct control, alternative control service.

Noting the complexities associated with the proposed service, we do not currently propose to classify this service. SAPN’s submission to our preliminary position paper was supportive of this approach. Once clarity and broad consensus has been reached between SAPN and its stakeholders, SAPN has the opportunity to include the specific details of the proposed service in its 2025–30 proposal for our consideration.

Proposed approach to classification in 2025–30: Not to classify a solar for renters service.

## 2.2 Network ancillary services

Ancillary services share the common characteristics of being services provided to individual customers on an ‘as needs’ basis (e.g., meter testing and reading at a customer’s request, moving mains, temporary supply, alteration, and relocation of existing public lighting assets). Ancillary services involve work on, or in relation to, parts of a distribution network. Therefore, similar to the common distribution services grouping, only the relevant distributor may perform these services in its distribution area. The network ancillary services grouping are classified as alternative control services on the basis that the costs of providing the relevant service are directly attributable to the person to whom the service is provided.<sup>22</sup>

<sup>22</sup>

NER 6.2.2(c)(5).

### 2.2.1 Bespoke energy advice

In addition to the basic energy advisory services SAPN proposed in its initial submission, it recommended that where customers seek a more bespoke energy advisory service, potentially involving dealing with a customer service advisor directly, that this service could best be classified as an alternative control service under the network ancillary service grouping. This would be on the basis that the costs would be directly attributable to the person to whom the service is provided.

As discussed in section 2.1.3 above, SAPN is still investigating options around energy advisory services, including their scope and the implications this would have for service definition and classification. Noting that uncertainty, our preliminary position was not to classify this service. We were also mindful of the potential for service providers other than SAPN to provide competitive services in this area.

SACOSS submitted that, whilst it was not convinced that the provision of this service is necessary for the provision of the safe and reliable delivery of electricity, if the AER does support the inclusion of this service, SACOSS would support all costs being recovered as an alternative control service.

We have considered all submissions and, as in our preliminary position paper, our final position is not to classify the provision of bespoke energy advisory services at this time. We will, however, have the opportunity to consider the appropriate classification of this potential service if SAPN's ongoing consumer engagement ultimately supports, and SAPN's incorporates, its inclusion in SAPN's 2025–30 regulatory proposal.

Proposed approach to classification in 2025–30: Not to classify bespoke energy advice services.

### 2.2.2 Customer requests for electricity data and energy advice

In response to our preliminary position paper and the discussion of its proposed classification of basic and bespoke energy advisory services, SAPN proposed new amendments to include energy advice in its alternative control, 'customer requests for electricity data and energy advice' ancillary network service group. It submitted there continues to be strong support for a bespoke energy service which may include the consideration of specific energy efficiency initiatives to address network constraints and defer the potential need for future network augmentation.

SAPN submitted that whilst the existing service group provides some scope for providing data to customers as part of an energy advisory service, specifically including energy advice within the service classification table would assist with providing greater transparency for customers.

As noted in sections 2.1.3 and 2.2.1 above, SAPN's engagement with consumers on the scope of any advisory services that would potentially be delivered over the 2025–30 period as part of its regulatory proposal is ongoing. For the reasons we have already set out, we do not propose to accept amendments to incorporate advisory services in this service grouping until the outcomes of that engagement are clear.

Proposed approach to classification in 2025–30: Not to add customer requests for tailored energy advice to the alternative control, ‘customer requests for electricity data and energy advice’ ancillary network service group.

## 2.3 Metering services

In its original submission, SAPN noted the AEMC’s September 2021 directions paper on its review of the regulatory framework for metering services.<sup>23</sup> The AEMC published a draft report for consultation in November 2022.<sup>24</sup> This review may impact on the current regulatory framework for metering services, including the consideration of the future roles of distribution network service providers in providing metering services.

In particular, it has implications for distributors’ recovery of legacy metering costs. We are exploring the possibility of moving the cost recovery of legacy metering services to the main standard control services revenue cap, by changing the service classification and effective control mechanism of legacy metering services. We are currently engaging with distributors around this point, including SAPN, Ergon and Energex.

Where available, we will consider the implications of the AEMC’s review for service classifications for SAPN for the 2025–30 period. Noting that the AEMC’s final report is not yet available, it may be that consultation on this in time for the publication of final F&As in June 2023 is not possible.

SACOSS supported our consideration of the implications of this review at a future stage. In addition, it referred us to its submission to the AEMC<sup>25</sup> on the review of regulatory arrangements for metering services, urging the AEMC to consider reverting responsibility for metering back to distribution network service providers.

We expect our draft determinations for the NSW, ACT, Tasmanian and Northern Territory distributors in September 2023 will provide our positions on this transitional treatment of legacy metering services. These draft determinations, along with the final decision of the AEMC’s review of the regulatory framework for metering services, will constitute a material change in circumstances. As such, we expect Energex, Ergon Energy, and SAPN to depart from this F&A, where necessary, to reflect these positions in their regulatory proposals in January 2024.

Proposed approach to classification in 2025–30: Consider any implication of the AEMC’s metering review for service classification as part of our review of SAPN’s regulatory proposal next year.

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<sup>23</sup> [AEMC, Review of the regulatory framework for metering services, 16 September 2021](#)

<sup>24</sup> [AEMC, Review of the regulatory framework for metering services, Draft report, 3 November 2022](#)

<sup>25</sup> [Submission to the AEMC on the review of the regulatory framework for metering services - February 2023.](#)

## 2.4 Connection services

Connection services are the services a distributor performs in order to:

- connect a person’s home, business, or other premises to the electricity distribution network (premises connection)
- get more electricity from the distribution network than is possible at the moment (augmentation)
- extend the network to reach a person’s premises (extension).

As we indicate in the 2022 Guideline,<sup>26</sup> while we consider the provisions under Chapter 5A of the Rules provides a consistent set of terminology for connections, we realise that there are differences in classification approach across distributors. These differences arise due to jurisdictional and operational requirements.<sup>27</sup>

### 2.4.1 Enhanced Connection Services

SAPN proposed to align to the classification of consumption-based and export connection services, which is consistent with the recent F&As for NSW, the ACT, Tasmanian and Northern Territory distributors for their 2024–29 regulatory control periods. This approach recognises the ability for distribution network service providers to charge for export energy in the future, where costs allocated to consumption and export services should not overlap.

SAPN proposed to remove enhanced connection services provided at the request of large embedded generators from its alternative control, enhanced connection service.

Connection services for large embedded generators would then generally be treated (but not specifically listed) as an alternative control, negotiated connection. Large embedded generator connections requested above the least cost technically accepted level (LCTAS) would continue to be treated as enhanced connections.

Our preliminary position was to accept these proposed changes to the classifications. We also proposed adding new footnotes to clarify that:

- enhanced connection services include both consumption and export services
- the connection services service group captures both Chapter 5 and 5A of the NER, where Chapter 5A focusses on micro-embedded generators.

SAPN’s submission in response to our preliminary position paper supported these changes. Our final position is to retain our preliminary position on enhanced connection services.

Proposed approach to classification in 2025–30. Enhanced connection services to remain classified as alternative control services and aligned for both consumption and export services. Reference to large embedded generators to be removed.

<sup>26</sup> [AER - Distribution service classification guideline - August 2022](#)

<sup>27</sup> [AER - Distribution service classification guideline - August 2022 pp 14-20.](#)

## **2.5 Other updates**

As far as possible, and subject to jurisdictional and operational requirements, throughout the F&A process we have made a small number of drafting amendments and updates to the description of services. We have done this to align them, as closely as possible, with the baseline services in the 2022 Guideline and to reflect the classification language used in more recent F&A final decisions. These changes do not have a substantive impact on the classification of services. They have been made with a view to maintaining consistency, where possible, between jurisdictions and distributors.

These amendments are marked up in Appendix A.

### 3 Control mechanisms

This section sets out the control mechanisms to apply to SAPN's direct control services for the 2025–30 period.

A distribution determination must impose controls over the prices and/or revenues of direct control services.<sup>28</sup> The form and formulae of the control mechanisms in our distribution determination must be as set out in the relevant F&A.<sup>29</sup> There are only limited circumstances in which our distribution determination can depart from the F&A regarding control mechanisms.<sup>30</sup>

For the 2025–30 period, our final decision is to apply the current control mechanisms as per the 2020–25 distribution determination:<sup>31</sup>

- A revenue cap for standard control services
- A price cap for alternative control services.

We consider these controls will continue to be appropriate in the 2025–30 period.<sup>32</sup> We have not received any submissions suggesting we depart from them.

However, SAPN requested amendments to the formulae underlying the control mechanisms, which we consider in the sections below.

#### 3.1 Revenue cap for standard control services

SAPN proposed amendments to its revenue cap formulae to reflect the application of version 2.0 of the service target performance incentive scheme (STPIS). As in our preliminary position paper we accept SAPN's proposed amendments, which are consistent with the approach applied in other jurisdictions.<sup>33</sup>

In addition, SAPN proposed to adjust its revenue cap formulae to account for the end of the South Australian solar feed-in tariff jurisdictional scheme in June 2028. SAPN proposed to introduce a new J-factor in the revenue cap formulae to recover from, or return to, customers any under- or over-recovered jurisdictional scheme amounts.<sup>34</sup> SAPN also noted an alternative approach could be to update the B-factor definition to incorporate these jurisdictional scheme under- or over-recoveries.<sup>35</sup> SAPN's concern was that amounts below a certain threshold (e.g., \$1 million) cannot be recovered under the current approach.

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<sup>28</sup> NER, cl. 6.2.5(a)

<sup>29</sup> NER, cl. 6.12.3(c) and 6.12.3(c1).

<sup>30</sup> NER, cl. 6.12.3(c)(1) and (2); 6.12.3(c1).

<sup>31</sup> AER, Final decision – SA Power Networks distribution determination 2020-25 – Attachment 13 – Control mechanisms, November 2021

<sup>32</sup> NER, cl. 6.2.5.

<sup>33</sup> AER, Final F&A for Ausgrid, Endeavour Energy and Essential Energy, 29 July 2022, p. 37

<sup>34</sup> SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 24

<sup>35</sup> SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 24



Our preliminary position was to not accept the new J-factor. We considered the continuation of the current jurisdictional scheme ‘unders’ and ‘overs’ account would appropriately account for the end of the jurisdictional scheme amounts over the 2025–30 period.

Our final position is to maintain our preliminary position (that is, not to accept the proposed new J-factor).

We consider the existing treatment of jurisdictional scheme amounts, including unders and overs, remains fit for purpose. It ensures that a distribution network service provider recovers from customers no more or less than the jurisdictional scheme amounts it incurs, while maintaining transparency and accountability. It is not constrained or limited by the magnitude of the jurisdictional scheme amounts. This constraint only exists due to SAPN’s choices in how it recovers those amounts across tariffs.

However, we note that the ‘true-up’ of these amounts has the potential to continue for some time beyond the initial two-year true-up lag. This is because those true-ups will themselves require true-ups. For this reason, we consider SAPN’s alternative approach of using the B-factor may be a pragmatic approach, with an appropriate materiality threshold. Once the true-up amounts are below this threshold, it may be appropriate to move these amounts to the B-factor to maintain transparency and accountability, where possible. We will define both the B-factor and the unders and overs accounts in our regulatory determination, and therefore this does not need to be resolved in the F&A.

Final position: Maintain the form and formulae of the control mechanism from the current, 2020–25 regulatory control period, including adjustments to reflect that version 2.0 of the STPIS will apply.

**Figure 1.1 Revenue cap control formulae to apply for SAPN's standard control services**

	Equation	where
1.	$TAR_t \geq \sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_t^{ij}$	$i = 1, \dots, n$ $j = 1, \dots, m$ $t = 1, 2, 3, 4, 5$
2.	$TAR_t = AAR_t + I_t + B_t + C_t$	$t = 1, 2, 3, 4, 5$
3.	$AAR_t = AR_t$	$t = 1$
4.	$AAR_t = AAR_{t-1} \times (1 + \Delta CPI_t) \times (1 - X_t)$	$t = 2, 3, 4, 5$

Where:

Variable	Represents
$t$	the regulatory year with $t = 1$ being the 2025–26 financial year.
$TAR_t$	the total annual revenue for year $t$ .
$p_t^{ij}$	the price of component 'j' of tariff 'i' for year $t$ .
$q_t^{ij}$	the forecast quantity of component 'j' of tariff 'i' for year $t$ .
$AR_t$	the annual smoothed revenue requirement in the Post Tax Revenue Model (PTRM) for year $t$ .
$AAR_t$	the adjusted annual smoothed revenue requirement for year $t$ .
$I_t$	the sum of incentive scheme adjustments for year $t$ . To be decided in the distribution determination.
$B_t$	the sum of annual adjustment factors to balance the unders and overs account for year $t$ . To be decided in the distribution determination.
$C_t$	the approved pass-through amounts (positive or negative) for year $t$ , as determined by the AER. It will also include any annual or end of period adjustments for year $t$ . To be decided in the distribution determination.
$\Delta CPI_t$	the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities <sup>36</sup> from December in year $t-2$ to December in year $t-1$ . For example, for the 2025–26 year, $t-2$ is December 2023 and $t-1$ is December 2024.
$X_t$	the X factor in year $t$ , incorporating annual adjustments to the PTRM for the trailing cost of debt where necessary. To be decided in the distribution determination.

<sup>36</sup> If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

## 3.2 Price caps for alternative control services

SAPN proposed to maintain price caps for alternative control services<sup>37</sup> and supported including adding a tax component within its quoted services formula in the most recent determination.<sup>38</sup>

The inclusion of these factors is consistent with the final F&A papers for NSW, ACT, Northern Territory and Tasmanian distributors published in July 2022 and promotes consistency of regulatory arrangements for similar services across jurisdictions. These components promote competitive neutrality and enable distributors to recover their efficient costs. Our final decision maintains the proposed price caps and accepts the inclusion of the tax component for quoted services, consistent with our preliminary position.

### 3.2.1 Public Lighting

SAPN did not propose any changes to the price cap formulae for public lighting services in its initial submission. In January 2023, the Essential Services Commission of South Australia (ESCOSA) issued a draft decision proposing to remove its Guaranteed Service Level (GSL) payments for street light repair.

ESCOSA has subsequently signalled the possibility of reintroducing a payment mid-period. If reintroduced, SAPN would need a mechanism to include GSL costs within AER approved public lighting price caps.

SAPN submitted that there is scope to include additional GSL costs that may occur mid period within the A-factor in the alternative control services price cap form of control. This would enable SAPN to recover the reasonable costs of an amended GSL scheme from public lighting customers. SAPN proposes that the existing GSL scheme is recovered on a unit cost basis, which could be applied as an A-Factor within the Annual Pricing Proposal.

We consider SAPN's proposal to be appropriate. We will consider this as a part of our 2025–30 regulatory determination, where we define annual adjustment factors such as the A-factor.

Final position: Maintain the form and formulae of the control mechanism from the current, 2020–25 regulatory control period.

<sup>37</sup> SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 26.

<sup>38</sup> SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 26.

**Figure 1.2 Price cap control formulae to apply to SAPN’s legacy metering, public lighting and ancillary fee-based services**

	Equation	where
1.	$\bar{p}_t^i \geq p_t^i$	$i = 1, \dots, n$ $t = 1, 2, 3, 4, 5$
2.	$\bar{p}_t^i = \bar{p}_{t-1}^i \times (1 + \Delta CPI_t) \times (1 - X_t^i) + A_t^i$	

Where:

Variable	Represents
$t$	the regulatory year with $t = 1$ being the 2024–25 financial year.
$\bar{p}_t^i$	the cap on the price of service ‘i’ for year $t$ .
$p_t^i$	the price of service ‘i’ in year $t$ . The initial value is to be decided in the distribution determination.
$\bar{p}_{t-1}^i$	the cap on the price of service ‘i’ for year $t-1$ .
$\Delta CPI_t$	the annual percentage change in the Australian Bureau of Statistics’ (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities <sup>39</sup> from December in year $t-2$ to December in year $t-1$ . For example, for the 2024–25 year, $t-2$ is December 2022 and $t-1$ is December 2023.
$X_t^i$	the X factor for service ‘i’ in year $t$ . The X factors are to be decided in the distribution determination.
$A_t^i$	the sum of any adjustments for service ‘i’ in year $t$ . To be decided in the distribution determination.

<sup>39</sup> If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

**Figure 1.3 Price cap control formula to apply to SAPN's quoted ancillary network services**

$$Price = Labour + Contractor Services + Materials + Margin + Tax$$

Where:

Variable	Represents
$t$	the regulatory year with $t = 1$ being the 2024–25 year.
$Price$	the charge paid by the customer
$Labour$	the labour costs directly incurred in the provision of the service which may include labour on-costs, fleet on-costs and overheads. Labour is escalated annually by $(1 + \Delta CPI_t) \times (1 - X_t^i)$ .
$\Delta CPI_t$	the annual percentage change in the Australian Bureau of Statistics' (ABS) Consumer Price Index All Groups, Weighted Average of Eight Capital Cities <sup>40</sup> from December in year $t-2$ to December in year $t-1$ . For example, for the 2024–25 year, $t-2$ is December 2022 and $t-1$ is December 2023.
$X_t^i$	the X factor for service 'i' in year t. The X factors are to be decided in the distribution determination and will be based on the approach the distributor undertakes to develop its initial prices.
$Contractor Services$	the costs associated with the use of external labour including overheads and any direct costs incurred. The contracted services charge applies the rates under existing contractual arrangements. Direct costs incurred are passed on to the customer.
$Materials$	the cost of materials directly incurred in the provision of the service, material storage and logistic on-costs and overheads.
$Margin$	definition to be decided in the distribution determination.
$Tax$	definition to be decided in the distribution determination.

<sup>40</sup> If the ABS does not, or ceases to, publish the index, then CPI will mean an index which the AER considers is the best available alternative index.

## 4 Incentive schemes

In its initial submission, SAPN noted the value of incentive schemes in delivering efficiency and improved customer service over time. They proposed to apply the following incentive schemes for the 2025–30 period:

- Efficiency benefit sharing scheme (EBSS).<sup>41</sup> This provides a continuous incentive to pursue efficiency improvements in opex and provide for a fair sharing of these between SAPN and network users.
- Capital expenditure sharing scheme (CESS).<sup>42</sup> This incentivises efficient capex throughout the period by rewarding efficiency gains and penalising efficiency losses.
- Demand management incentive scheme (DMIS) and demand management innovation allowance mechanism (DMIAM).<sup>43</sup> The DMIS, provides network service providers with financial incentives for undertaking efficient demand management activities. The DMIAM funds research and development in demand management projects that have the potential to reduce long term network costs.
- Service target performance incentive scheme (STPIS).<sup>44</sup> This balances incentives to reduce expenditure with the need to maintain or improve service quality, by providing financial incentives to maintain and improve service performance where consumers are willing to pay for these improvements.

Subject to further engagement with consumers, SAPN also propose to consider the application of:

- A Customer service incentive scheme (CSIS)<sup>45</sup>. The CSIS is designed to encourage electricity distributors to engage with their customers, identify (through customer engagement) the customer services their customers want improved, and then set targets to improve those services based on their customers' preferences and support.
- any other small scale incentive schemes, including the new export services incentive scheme.<sup>46</sup>

Our preliminary position was to endorse this approach as these schemes work together within a revenue determination to provide incentives for network service providers to invest efficiently and operate in the long-term interests of consumers.

SACOSS's submission urged the AER to thoroughly examine whether consumers will benefit from the application of the various incentive schemes.

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<sup>41</sup> NER, cl. 6.8.1(b)(2)(iv).

<sup>42</sup> NER, cl. 6.8.1(b)(2)(v).

<sup>43</sup> NER, cl. 6.8.1(b)(2)(vi).

<sup>44</sup> NER, cl. 6.8.1(b)(2)(iii).

<sup>45</sup> NER, cl. 6.8.1(b)(2)(vii).

<sup>46</sup> NER, cl. 6.8.1(b)(2)(vii).

## 4.1 CESS and EBSS

We have recently completed a review of the CESS and EBSS incentive schemes that have applied under the determinations for the 2020–25 period. SAPN expected that the outcome of that review would be incorporated in the final F&A.<sup>47</sup> As set out below, we agree with this view.

The final decision for the incentive schemes review concluded that revisions to the EBSS were not necessary.<sup>48</sup> Given this, and consistent with our general approach, we intend to apply the EBSS to SAPN in the 2025–30 period if we are satisfied the scheme will fairly share efficiency gains and losses between the distributor and consumers.<sup>49</sup> This will occur only if the opex forecast for the following period is based on the distributor’s revealed costs. Our distribution determination for SAPN for the 2025–30 period will specify if, and how, we will apply the EBSS.

The final decision for the incentive schemes review resulted in a number of changes to the CESS, including:

- changes to the sharing ratios in the CESS to implement a tiered arrangement, with a 30% sharing ratio for any underspend up to 10% of the forecast capital expenditure allowance, a 20% for any underspend over 10% and a 30% sharing ratio for any overspend that will apply over the 2025–30 period.
- requiring network service providers to provide further information to better and transparently explain the reasons for differences between our expenditure forecasts and the actual capital expenditure occurred.

We will therefore apply the new version 2 of the CESS to SAPN in the 2025–30 period.

## 4.2 Distribution STPIS, DMIS and DMIAM

The STPIS, DMIS and DMIAM that have applied to SAPN in the current, 2020–25 period are still in effect, and we intend to apply them again on the same terms in the 2025–30 period.

SACOSS sought clarification as to whether the AER is intending to apply the default revenue at risk of  $\pm 5\%$ . It did not support maintaining the revenue at risk at this level as it contends this can result in higher prices for customers where the network is able to raise reliability standards above the threshold. Accordingly, SACOSS considered it may be preferable to set STPIS at  $\pm 2\%$ , or alternatively set penalties for not achieving threshold service quality levels without providing rewards for exceeding the threshold.

We acknowledge the concerns raised by SACOSS regarding the STPIS. The final decision for the incentive schemes review concluded that revisions to the STPIS were not required as the scheme was fit for purpose in delivering reliability benefits to consumers. The review outlined that between 2006 and 2020, the average number of interruptions per customer per

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<sup>47</sup> SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 27.

<sup>48</sup> AER, *Review of incentives schemes for networks, Final decision*, April 2023, p. 10.

<sup>49</sup> NER, cl. 6.5.8(a).

year declined by 0.68, or 38 %. Similarly, between 2006 and 2020, the average duration of outages reduced by 26 minutes or 18 %.<sup>50</sup>

Furthermore, the scheme rewards SAPN where it invests additional money that is shown to have improved the power supply reliability outcomes—such as a reduction of the average duration of power outages (known as SAIDI) and a reduction of the average frequency of power outages (known as SAIFI). Likewise, the scheme penalises SAPN where it allows power supply to decline below its reliability targets—which are based on the existing level achieved by the distributors.

SAPN will only receive a financial reward after actual improvements are delivered to customers. More importantly, SAPN can only retain its rewards if it can maintain the reliability improvements on an ongoing basis. Once an improvement is made, the benchmark performance targets will be tightened in future years. That is, SAPN’s reliability targets for future years will be based on the level of performance that it had achieved to date. The reward for improved reliability performance is paid to SAPN (by customers) for five years. After which, customers will retain the benefit of the reliability improvement.

If the reliability levels should fall in the future, SAPN will receive penalties for not meeting the tightened targets—hence, the reward paid to SAPN will be returned to customers if the reliability levels fall.

Thus, our final position is to apply the default revenue at risk of  $\pm 5\%$ .

We also intend to apply version 2.0 of the STPIS,<sup>51</sup> noting that:

- The GSL component of the STPIS will not apply if SAPN remains subject to a jurisdictional GSL scheme
- the Customer Service (telephone answering) component of STPIS will not apply if SAPN proposes, and we accept, a CSIS for the 2025–30 period.

### 4.3 CSIS

We released a new CSIS for electricity distributors in 2020. The CSIS will be available to SAPN for the first time in the 2025–30 period. SAPN has indicated its intention to propose a CSIS if this is supported by its customers.<sup>52</sup>

SACOSS questioned whether CSIS is necessary for SAPN as South Australia’s local regulator, the ESCOSA, already sets minimum customer service standards for SAPN under the Electricity Distribution Code and SAPN has consistently met and exceeded all service standards. We note SACOSS’s comments that it is not convinced that the CSIS would result in improved service standards beyond those already achieved.

SAPN plays a central role in driving the development process for a CSIS with its customers, equipping them with the information they need to meaningfully engage with SAPN. We

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<sup>50</sup> AER, Review of incentives schemes for networks Final decision, April 2023, pp. 26–27.

<sup>51</sup> AER, Electricity distribution network service providers Service target performance incentive scheme Version 2.0, November 2018.

<sup>52</sup> SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 28.



encourage consumers, including SACOSS, to engage with SAPN to identify the customer services that may want to improve, and then set targets and incentives to improve those services based on customers' preferences.

We are open to the inclusion of a CSIS in SAPN's 2025–30 regulatory proposal. However, our decision on whether the scheme will apply to SAPN is subject to, as part of its regulatory proposal in January 2024, a fully developed CSIS proposal, sound measurement methodology and evidence of supporting customer engagement on, and co-design of, the CSIS.

As noted, the STPIS customer service (telephone answering) parameter would not apply to distribution businesses which apply an approved CSIS. In this case, revenue currently at risk under the STPIS would be reduced to reflect the removal of the telephone answering parameter and would instead sit under the CSIS.

#### **4.4 Export service incentive scheme**

In June 2023 the AER published a new export service incentive scheme, consultation on which took place in parallel to this review of SAPN's F&A.<sup>53</sup>

This optional small-scale incentive scheme will allow distributors to propose bespoke incentives related to export services based on their network circumstances, customer preferences and evidence-based performance data. The scheme is a product of our consultation with stakeholders on incentivising and measuring export service performance, which considered appropriate incentive arrangements for export services to balance existing incentive schemes related to consumption services, as well as the introduction of network performance reporting on export service performance metrics.

It is designed to encourage distributors to engage with their customers and provide export services in accordance with their preferences. It allows us to set targets for export service performance and require distributors to report on performance against those targets. Distributors may be financially rewarded or penalised depending on how they perform against their export service targets. SAPN's request for an amended F&A noted the potential for any new scheme to apply as part of its 2025–30 determination.<sup>54</sup>

SACOSS questioned whether SAPN needs to be incentivised to provide export services and questions whether such a scheme is equitable or necessary. It did not support incentives for additional network expenditure that it contends would result in non-solar customers paying to enable solar customers to recoup greater feed-in-tariffs through increased export service capacity.

We have published an explanatory statement alongside the final scheme, which responds to stakeholder submissions. If SAPN proposes the scheme, we will consider whether the proposed incentive design meets the incentive design proposal requirements under the scheme.

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<sup>53</sup> <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/export-service-incentive-scheme>

<sup>54</sup> SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 29.

## 5 Expenditure forecast assessment guidelines

We applied the Expenditure Forecast Assessment Guideline<sup>55</sup> in our assessment of SAPN's proposal for the current, 2020–25 period. SAPN has indicated it plans to continue to apply that guideline for the 2025-30 period, and to align its proposal with the AER's Better Resets Handbook.<sup>56</sup>

The Expenditure Forecast Assessment Guideline contains a suite of assessment/analytical tools and techniques to assist our review of the expenditure forecasts that distributors include in their regulatory proposals. We exercise judgement to determine the extent to which we use a particular technique to assess a regulatory proposal. We use the techniques we consider appropriate depending on the specific circumstances of the determination. The guideline is flexible and recognises that we may employ a range of different estimating techniques to assess an expenditure forecast.

For opex, in most cases we take a base-step-trend approach to assessing forecast expenditure and, in this context, use top-down economic benchmarking tools to determine the reasonableness of the forecast rather than a bottom-up assessment approach. We expect this to be the case for SAPN, however as noted, in exercising our judgement, we may use any analytical tool at our disposal, including assessing individual elements of the forecast using a bottom-up approach.

For capex, a combination of top-down and bottom-up modelling of efficient expenditure is used in assessing expenditure proposals. We conduct a top-down analysis such as examining trends and forecast costs compared with historical capex, and inter-relationships between cost categories. To complement this, we conduct a bottom-up analysis of specific major programs and projects.

In its submission to us, SACOSS remained cautious about whether businesses should be incentivised to improve their engagement practices by way of a reduction in regulatory scrutiny of expenditure proposals under an 'early signal pathway' and 'targeted review' process. SACOSS sought transparency and clarity within the F&A around how this will impact the AER's approach to assessing the regulatory proposal in its entirety.

Experience has generally shown that regulatory proposals developed through deep and broad customer engagement are more likely to improve the quality of the proposal and result in a more positive outcome for customers.

To clarify, our Better Reset Handbook (Handbook) does not promote less scrutiny of expenditure proposals. The Handbook seeks to encourage networks to better engage and have consumer preferences drive the development of regulatory proposals. Where a regulatory proposal substantially meets our expectations for one or more of the topics covered in this Handbook, we would be able to undertake a targeted review rather than our standard assessment approach. This will also likely reduce the work required at the later stages of the regulatory process (namely, the revised proposal and final decision). In this

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<sup>55</sup> We were required to develop the EFA guideline under clauses 6.4.5 and 11.53.4 of the NER. We published the guideline on 29 November 2013. It can be located at [www.aer.gov.au/node/18864](http://www.aer.gov.au/node/18864)

<sup>56</sup> SAPN - Request to replace Framework and Approach 2025–30 - 31 October 2022, p. 30.

context, although customer engagement is an important expectation, the AER will also assess proposals against all of the expectations in the Better Reset Handbook. As a result, SAPN is not ensured a more targeted review unless all expectations are met including those specifically related to ensuring forecast expenditure is efficient and prudent.

## 6 Depreciation to establish the opening RAB

As part of the roll forward methodology, when the RAB is updated from forecast capex to actual capex at the end of the regulatory control period, it is also adjusted for depreciation. The depreciation approach we use to roll forward the RAB can be based on either:

- actual capex incurred during the regulatory control period (actual depreciation). We roll forward the RAB based on actual capex less the depreciation on the actual capex, or
- the capex allowance forecast at the start of the regulatory control period (forecast depreciation). We roll forward the RAB based on actual capex less the depreciation on the forecast capex approved for the regulatory control period.

SAPN is currently subject to the CESS and, as set out in section 4 above, we propose to continue to apply the CESS in the 2025–30 period. We are satisfied that the incentive provided by the application of the CESS, in combination with the use of forecast depreciation and our other ex-post capex measures, would be sufficient to achieve the capex incentive objective.

Our final position is therefore to continue to use the forecast depreciation approach to establish the RAB at the commencement of the 2030–35 regulatory control period for SAPN.<sup>57</sup>

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<sup>57</sup> NER, cl. 6.8.1(b)(2)(ix).

## 7 Dual Function assets

Dual function assets are high voltage transmission assets forming part of a distribution network. Where a network service provider notifies us that it owns, controls or operates dual function assets, we assess how material the value of the dual function asset is to decide whether the revenue attributed to dual function assets is to be recovered according to the transmission or distribution pricing principles.

As SAPN does not have any dual function assets, it is not necessary for us to decide whether such assets should be regulated in accordance with distribution or transmission pricing principles.

## Glossary

Term	Definition
ACS	Alternative control services
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
Capex	Capital expenditure
CESS	Capital expenditure sharing scheme
CSIS	Customer service incentive scheme
DER	Distributed energy resources
DMIAM	Demand management innovation allowance mechanism
DMIS	Demand management incentive scheme
DNSP or Distributor	Distribution Network Service Provider
DUoS	Distribution Use of System Changes
EBSS	Efficiency benefit sharing scheme
EFA	Expenditure Forecast Assessment
ESCOSA	Essential Services Commission of South Australia
EV	Electrical Vehicles
F&A	Framework and approach
GSL	Guaranteed service level
LCTAS	Least cost technically accepted level
NEL	National Electricity Laws
NEO	National Electricity Objectives
NER	National Electricity Rules
PV	Photovoltaic
Opex	Operating expenditure
RAB	Regulated asset base
SAPS	Stand-alone power systems
SCS	Standard control service
STPIS	Service target performance incentive scheme

## Appendix A – SA Power Networks – service classification (Mark-up)

Service Group	Further Description	Current classification	Proposed classification 2025-30
<b>Common distribution service – use of the distribution network for the conveyance/flow of electricity (including the services relating to network integrity)</b>			
Common distribution service (formerly 'network services')	<p>The suite of activities that includes, but is not limited to, the following:</p> <ul style="list-style-type: none"> <li>• the planning, design, repair, maintenance, construction, and operation of the distribution network</li> <li>• the relocation of assets that form part of the distribution network but not relocations requested by a third party (including a customer)</li> <li>• ongoing inspection of private electrical works (not part of the shared network) required under legislation for safety reasons</li> <li>• works to fix damage to the network (including emergency recoverable works caused by a customer or third party)</li> <li>• support for another network during an emergency event</li> <li>• procurement and provision of network demand management activities for distribution or system reliability, efficiency or security purposes</li> <li>• training internal staff and contractors delivering direct control services</li> <li>• activities related to 'shared asset facilitation' of distributor assets<sup>1</sup></li> <li>• emergency disconnect for safety reasons and work conducted to restore a failed component of the distribution system to an operational state upon investigating a customer outage</li> <li>• bulk supply point metering – activities relating to monitoring the flow of electricity through the distribution network.</li> <li>• rectification of simple customer fault (e.g. fuse) relating to a life support customer or other critical health and safety issues that the distributor is able to address</li> </ul>	Standard Control	Standard Control

<sup>1</sup> Revenue for these services is charged to the relevant third party and is treated in accordance with the shared asset guideline. 'Shared asset facilitation' refers to administrative costs of providing the unregulated service.

Service Group	Further Description	Current classification	Proposed classification 2025-30
	<ul style="list-style-type: none"> <li>• Rectification of simple customer faults where:                             <ol style="list-style-type: none"> <li>1) the need for rectification work is discovered in the course of the provision of distribution services</li> <li>2) the work performed is the minimum required to restore safe supply</li> <li>3) the work can be performed in less than thirty minutes and does not normally require a second visit.</li> </ol> </li> <li>• establishment and maintenance of national metering identifiers (NMI) in market and/or network billing systems, and other market and regulatory obligations</li> <li>• investigation of customer-reported network faults</li> <li>• work related to a regulated stand-alone power system (SAPS) deployment, operation and maintenance (including fault and emergency repairs)<sup>2</sup>, and customer conversion activities.</li> <li>• <del>Provision of basic energy advisory services, for example electricity education, billing and tariff advice, and advice regarding home and business electrification.</del></li> </ul> <p>Such services do not include a service that has been separately classified including any activity relating to that service.</p>		
<b>Connection Services—services relating to the electrical or physical connection of a customer to the network<sup>3</sup></b>			
Basic connection services	<p>Means a connection service related to a connection (or a proposed connection) between a distribution system and a retail customer’s premises (excluding a non-registered embedded generator’s premises) in the following circumstances:</p> <p>(a) either:</p> <ol style="list-style-type: none"> <li>1. <del>(1)</del> the retail customer is typical of a significant class of retail customers who have sought, or are likely to seek, the service; or</li> <li>2. <del>(2)</del> the retail customer is, or proposes to become, a micro embedded generator;</li> </ol>	Premises Connections = Standard control + customer contributions	Premises Connections = Standard control + customer contributions

<sup>2</sup> Includes simple customer fault rectification on generation service of regulated SAPS

<sup>3</sup> Applies to both NER chapter 5 and 5A connections



Service Group	Further Description	Current classification	Proposed classification 2025-30
	<p style="text-align: center;"><del>and Connection Services include:</del></p> <p>(b) the provision of the service involves minimal or no augmentation of the distribution network; and</p> <p>(c) a model standing offer has been approved by the AER for providing that service as a basic connection service.</p>		
Standard connection services	Means a connection service (other than a basic connection service) for a particular class (or sub-class) of connection applicant and for which a model standing offer has been approved by the AER.	Premises connection = Alternative control  Extensions and Augmentations = Standard control + customer contribution	Premises connection = Alternative control  Extensions and Augmentations = Standard control + customer contribution
Negotiated connection services	Means a connection service (other than a basic connection service) for which a <del>distributor</del> <b>DN</b> SP provides a connection offer for a negotiated connection contract.	Premises connections = Alternative control  Extensions and Augmentations = Standard control + customer contributions	Premises connections = Alternative control  Extensions and Augmentations = Standard control + customer contributions
Enhanced <sup>4</sup> connection services	Other or enhanced connection services provided at the request of a customer or third party that include those that are: <ul style="list-style-type: none"> <li>• <del>Provision of connection services above minimum requirements</del> customer</li> </ul>	Alternative control	Alternative control

<sup>4</sup> Applies to both NER chapter 5 and 5A connections and includes enhancements for both consumption and export services.

Service Group	Further Description	Current classification	Proposed classification 2025-30
	<p><del>requests increase in reliability or quality of supply beyond the standard, and/or above minimum regulatory requirements (e.g. reserve feeder);</del></p> <ul style="list-style-type: none"> <li>• Provided with higher quality of reliability standards, or lower quality of reliability standards (where permissible) than required by the NER or any other applicable regulatory instruments;</li> <li>• In excess of levels of service or plant ratings required to be provided by SA Power Networks; <b>or</b></li> <li>• <del>For large embedded generators (30 kW 3 phase or above 5 kW 1 phase and above); or</del></li> <li>• Other additional customer dedicated connection lines / assets</li> </ul>		
<p>Connection application and management services</p>	<p>Works initiated by a customer or retailer which are specific to the connection point. Includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>• connection application related services</li> <li>• de-energisation</li> <li>• re-energisation</li> <li>• temporary connections (of a size less than the shared network augmentation threshold) as a basic connection service e.g. builder’s supply, fetes, etc.</li> <li>• remove or reposition connection</li> <li>• overhead service line replacement – customer requests the existing overhead service to be replaced (e.g. as a result of a point of attachment relocation). No material change to load</li> <li>• protection and power quality assessment</li> <li>• supply enhancement (e.g. upgrade from single phase to three phase)</li> <li>• customer requested change requiring secondary and primary plant studies for safe operation of the network (e.g. change protection settings)</li> <li>• upgrade from overhead to underground service</li> <li>• rectification of illegal connections or damage to overhead or underground service cables</li> <li>• calculation of a site specific distribution loss factor on request in respect of a</li> </ul>	<p>Alternative control</p>	<p>Alternative control</p>

Service Group	Further Description	Current classification	Proposed classification 2025-30
	generating unit up to 10 MW or a connection point for an end-user with actual or forecast load up to 40 GWh per annum capacity, as per clause 3.6.3(b1) of the NER <ul style="list-style-type: none"> <li>power factor correction.</li> </ul>		
<b>Metering Services<sup>5</sup> — activities relating to the measurement of electricity supplied to and from customers through the distribution system (excluding network meters)</b>			
Type 1 to 4 metering services	Type 1 to 4 metering installations and supporting services are competitively available.	Unregulated	Unregulated
Type 5 and 6 meter installation and provision (prior to 1 December 2017)	Recovery of the capital cost of type 5 and 6 metering equipment installed (including metering with internally integrated load control services devices)	Alternative control	Alternative control
Type 5 and 6 meter maintenance, reading and data services (legacy meters)	<b>Activities include:</b> <ul style="list-style-type: none"> <li>Meter maintenance covers works to inspect, test, and maintain metering installations.</li> <li>Meter reading refers to quarterly or other regular reading of a metering installation including field visits and remotely read meters.</li> <li>Metering data services includes for example: services that involve the collection, processing, storage and delivery of metering data, the provision of metering data in accordance with regulatory obligations, remote or self-reading at difficult to access sites, and the management of relevant NMI Standing Data in accordance with the NER.</li> </ul>	Alternative control	Alternative control

<sup>5</sup> SA Power Networks will continue to be responsible for type 5 and 6 meters until they are replaced (and entitled to levy associated charges). We refer to these meters as 'legacy meters'. New meters (that will be type 1 to 4 meters) installed from 1 December 2017 are referred to as 'contestable meters'.

Service Group	Further Description	Current classification	Proposed classification 2025-30
Type 7 metering services	Administration and management of type 7 metering installations in accordance with the NER and jurisdictional requirements. Includes the processing and delivery of calculated metering data for unmetered loads, and the population and maintenance of load tables, inventory tables and on/off tables.	Standard control	Standard control
Auxiliary metering services (Type 5 to 7 metering installations)	<p>Activities include:</p> <ul style="list-style-type: none"> <li>• Off-cycle meter reads for type 5 and 6 meters.</li> <li>• Requests to test, inspect and investigate, or alter an existing type 5 or 6 metering installation.</li> <li>• Testing and maintenance of instrument transformers for type 5 and 6 metering purposes.</li> <li>• Type 5 to 7 non-standard metering services.</li> <li>• Works to re-seal a type 5 or 6 meter due to customer or third party action (e.g. by having electrical work done on site).</li> <li>• Change distributor load control relay channel on request that is not a part of the initial load control installation, nor part of standard asset maintenance or replacement.</li> </ul>	Alternative control	Alternative control
Emergency supply restoration in relation to metering equipment not owned by the distributor (contestable metering)	<p><del>The distributor is called out by a customer or their agent (e.g. retailer, Metering Coordinator or Metering Provider) due to a power outage where an external Metering Provider's metering equipment has failed or an outage has been caused by the Metering Provider and the distributor has had to restore power to the customer's premises. This may result in an unmetered supply arrangement at this site.</del></p> <p>Customer or third party request to restore power to a customer's premises due to metering equipment not owned by the distributor.</p>	Alternative control	Alternative control
Meter recovery and disposal – type 5 and 6 (legacy meters)	<p>Activities include the removal and disposal of a type 5 or 6 metering installation:</p> <ul style="list-style-type: none"> <li>• At the request of the customer or their agent, where an existing type 5 or 6 metering installation remains installed at the premises and a replacement meter is not required.</li> <li>• At the request of the customer or their agent, where a permanent disconnection</li> </ul>	Alternative control	Alternative control

Service Group	Further Description	Current classification	Proposed classification 2025-30
	has been requested where it has not been removed and disposed of by the incoming metering provider.		
Third party requested outage for purposes of replacing a meter	At the request of a retailer or metering coordinator provide notification to affected customers and facilitate the disconnection/reconnection of customer metering installations where a retailer planned interruption cannot be conducted.	Alternative control	Alternative control
<b>Network ancillary services – customer and third party initiated services closely related to common distribution services but for which a separate charge applies.</b>			
Access permits, oversight and facilitation services	<p>Activities include:</p> <ul style="list-style-type: none"> <li>• A distributor issuing access permits or clearances to work to a person authorised to work on or near distribution systems including high and low voltage.</li> <li>• A distributor issuing confined space entry permits and associated safe entry equipment to a person authorised to enter a confined space.</li> <li>• A distributor providing access to switch rooms, substations and other network-plant equipment to a non-LNSP party who is accompanied and supervised by a distributor’s staff member. May also include a distributor providing safe entry equipment (fall-arrest) to enter difficult access areas.</li> <li>• Specialist services (which may involve design related activities and oversight/inspections of works) where the design or construction is non-standard, technically complex or environmentally sensitive and any enquiries related to distributor assets.</li> <li>• Facilitation of generator connection and operation on the network.</li> <li>• Facilitation of activities within clearances of distributor’s assets, including physical and electrical isolation of assets.</li> </ul>	Alternative control	Alternative control
Network safety services	<p>Examples include:</p> <ul style="list-style-type: none"> <li>• provision of traffic control and safety observer services by the distributor where</li> </ul>	Alternative control	Alternative control

Service Group	Further Description	Current classification	Proposed classification 2025-30
	<p>required<sup>6</sup></p> <ul style="list-style-type: none"> <li>fitting of tiger tails or aerial markers <del>as requested by a customer or directed by the OTR<sup>7</sup>.</del></li> <li>high load escorts</li> <li>third party request for de-energising wires for safe approach</li> <li>Customer requested network inspection undertaken to determine the cause of a customer outage where there may be a safety and or reliability impact on the network or related component and associated works to rectify a customer caused impact on the network.<sup>8</sup></li> </ul>		
Sale of approved materials or equipment	Includes the sale of approved materials/equipment to third parties for connection assets that are gifted back to the DNSP become part of the shared distribution network.	Alternative control	Alternative control
Notices of arrangement and completion notices	<p>Examples include:</p> <ul style="list-style-type: none"> <li>Work of an administrative nature where a local council requires evidence in writing from the distributor that all necessary arrangements have been made to supply electricity to a development. This includes <b>but not limited to</b>: receiving and checking subdivision plans, copying subdivision plans, checking and recording easement details, <b>site visits</b>, assessing supply availability, liaising with developers if errors or changes are required, and preparing notifications of arrangement.</li> <li>Provision of a completion notice (other than a notice of arrangement). This applies where the real estate developer requests the distributor to provide documentation confirming progress of work. Usually associated with discharging contractual arrangements (e.g. progress payments) to meet contractual</li> </ul>	Alternative control	Alternative control

<sup>6</sup> When provided in relation to the distribution system or future distribution system

<sup>7</sup> As requested by a customer or directed by the Office of Technical Regulator (OTR)

<sup>8</sup> An ACS charge is not applicable where it is determined that the customer outage was caused by a fault on the network

Service Group	Further Description	Current classification	Proposed classification 2025-30
	undertakings.		
Rectification works to maintain network safety	Activities include issues identified by the DNSP and work involved in managing and resolving pre-summer bushfire inspection customer vegetation defects or aerial mains where the customer has failed to do so.	Alternative control	Alternative control
Customer requested planned interruption – customer requested	Examples include: <ul style="list-style-type: none"> <li>Where the customer requests to move a distributor planned interruption, and agrees to fund the additional cost of performing this distribution service outside of normal business hours.</li> <li>Customer initiated network outage (e.g. to allow customer and/or contractor to perform maintenance on the customer’s assets, work close to or for safe approach, which impacts other networks users).</li> </ul>	Alternative control	Alternative control
Attendance at customers’ premises to perform a statutory right where access is prevented	A follow up attendance at a customer’s premises to perform a statutory right where access was prevented or declined by the customer on the initial visit. This may include the costs of arranging, and the provision of, a security escort or police escort (where the cost is passed through to the distributor).	Alternative control	Alternative control
Inspection and auditing services	Activities include: <ul style="list-style-type: none"> <li>inspection and reinspection by a distributor of gifted assets or assets, installed or <del>relocated</del> by a third party</li> <li>investigation, review and implementation of remedial actions that may lead to corrective and disciplinary action of a third party service provider due to unsafe practices or substandard workmanship</li> <li>auditing of a third party service provider’s work practices in the field</li> <li>after hours examination and/or testing of the consumer mains and main switchboard prior to initial energisation (upon request)</li> <li>after hours visual examination of an electrical installation to reconnect it to a source of electricity (upon request)</li> <li>re-test at a customer’s installation, where the installation fails the initial test and cannot be connected or has been disconnected for more than 12 months or disconnected for safety reasons.</li> </ul>	Alternative control	Alternative control

Service Group	Further Description	Current classification	Proposed classification 2025-30
Provision of training to third parties for network related access	Training services provided to third parties that result in a set of learning outcomes that are required to obtain a distribution network access authorisation specific to a distributor's network. Such learning outcomes may include those necessary to demonstrate competency in the distributor's electrical safety rules, to hold an access authority on the distributor's network and to carry out switching on the distributor's network. Examples of training might include high voltage training, protection training or working near power lines training.	Alternative control	Alternative control
Authorisation and approval of third party service providers design, work and materials	<p>Activities include:</p> <ul style="list-style-type: none"> <li>• Authorisation or re-authorisation of individual employees and subcontractors of third party service providers and additional authorisations at the request of the third party service providers (excludes training services).</li> <li>• Acceptance of third party designs and works.</li> <li>• Assessing an application from a third party to consider approval of alternative material and equipment items that are not specified in the distributor's approved materials list.</li> </ul>	Alternative control	Alternative control
Security lights	<p>Provision, installation, operation and maintenance of equipment mounted on the distribution network equipment used for security services, e.g. nightwatchman lights</p> <p>Note: excludes connection services</p>	Alternative control	Alternative control
Customer initiated or triggered network asset relocations/re-arrangements	Relocation of assets that form part of the distribution network in circumstances where the relocation was initiated by a third party (including a customer), or triggered by a customer's non-compliance with network safety or security standards (such as network encroachments)	Alternative control	Alternative control
Customer requests for electricity data and energy advice <del>Customer requested provision of electricity</del>	<p><del>Includes:</del></p> <ul style="list-style-type: none"> <li>• Data requests by customers or third parties including requests for the provision of electricity network data or consumption data outside of legislative obligations.</li> </ul>	Alternative control	Alternative control



Service Group	Further Description	Current classification	Proposed classification 2025-30
network or consumption data	<ul style="list-style-type: none"> <li>Customer requests for tailored energy advice, providing a personalised service for customers who wish to talk to obtain more specific advice beyond the basic energy advisory service offered to all customers.</li> </ul>		
Third party funded network alterations or other improvements	Alterations or other improvements to the shared distribution network to enable third party infrastructure (e.g. NBN Co telecommunications assets) to be installed on the shared distribution network. This does not relate to upstream distribution network augmentation.	Alternative control	Alternative control
<b>Public Lighting Services - lighting services provided in connection with a distribution network</b>			
Public Lighting	Includes provision, construction and maintenance of public lighting and emerging public lighting technology.	Alternative control	Alternative control
<b>Unregulated Distribution Services - (non-exhaustive list)</b>			
Distribution asset rental	Rental of distribution assets to third parties (e.g. office space rental, pole and duct rental for hanging telecommunication wires etc.).	Unregulated	Unregulated
Contestable metering support roles	<del>Includes metering coordinator, metering data provider and metering provider for Type 1 to 4 metering installations</del> Includes metering coordinator, (except where the distributor is the initial metering coordinator) metering data provider and metering provider for meters installed or replaced after 1 December 2017.	Unregulated	Unregulated
Type 5 and 6 meter data management to other electricity distributors	The provision of type 5 and 6 meter data management to other electricity distribution network service providers.	Unregulated	Unregulated
Provision of training to third parties for work not associated with common distribution services nor network services	<del>Training programs provided to third parties for work that is not associated with the provision of common distribution services nor network access.</del> Training programs provided to third parties for non-network related issues	Unregulated	Unregulated