

# ElectraNet Transmission Determination 2023-28: Overview of AER draft decision

Public Forum | Wednesday 19 October 2022

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- 3 Consumer Challenge Panel (CCP25)
- 4 Electranet Consumer Advisory Panel
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# About us



- The AER exists to ensure energy consumers are better off, now and in the future.




- One of our core functions is the effective regulation of monopoly infrastructure, by:
  - Ensuring customers pay no more than necessary for safe and reliable energy
  - Better Resets Handbook: Towards Consumer-Centric Regulatory Proposals
  - Supporting the energy market transition



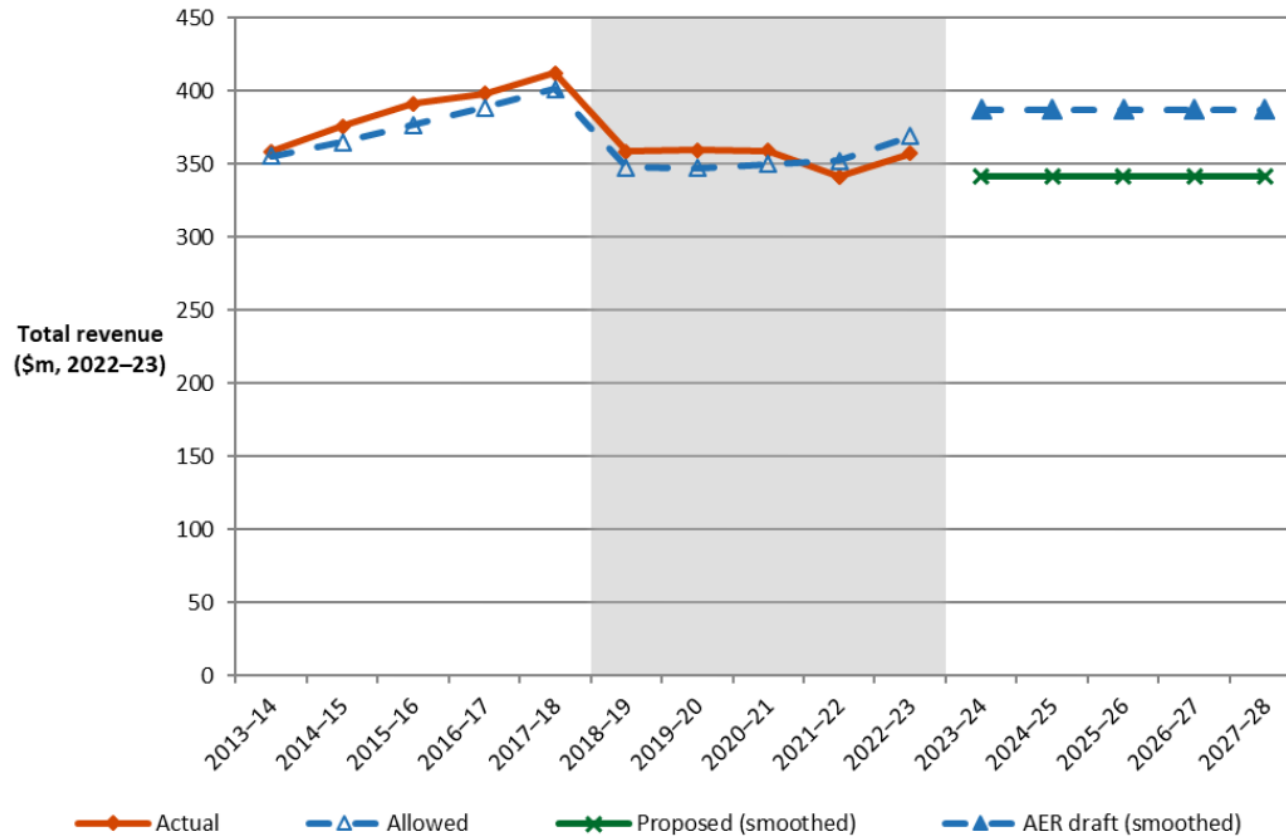
- ElectraNet operates and manages the South Australian electricity transmission network
  - The AER will set the maximum allowed revenue ElectraNet can recover from consumers for electricity transmission network services in the 2023-28 period.

# Where are we now

Milestone	Date
ElectraNet submitted its Revenue proposal to the AER	31 January 2022
AER held an online forum on the proposal	8 April 2022
Submissions on regulatory proposals closed	11 May 2022
AER Published its draft decision on the proposal	30 September 2022
 AER holds online forum on the draft decision	19 October 2022
ElectraNet to submit a revised proposal responding to the draft decision	2 December 2022
Submissions on the AER's draft decision and ElectraNet's revised proposal close	20 January 2023
AER publishes final decision on the revenue proposal	23 April 2023

# About our draft decision

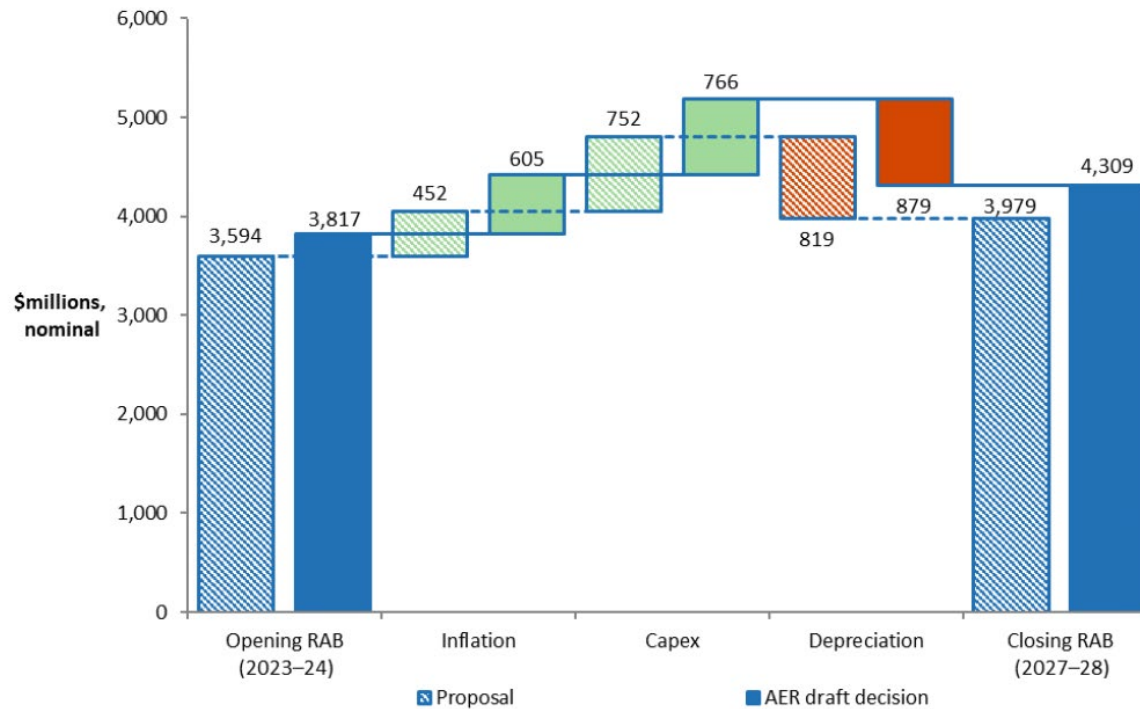
Figure 1 Changes in regulated revenue over time (\$million, 2022-23)



Revenue allowance has been impacted by market variables including interest rates, bond rates and expected inflation

# Regulatory Asset Base

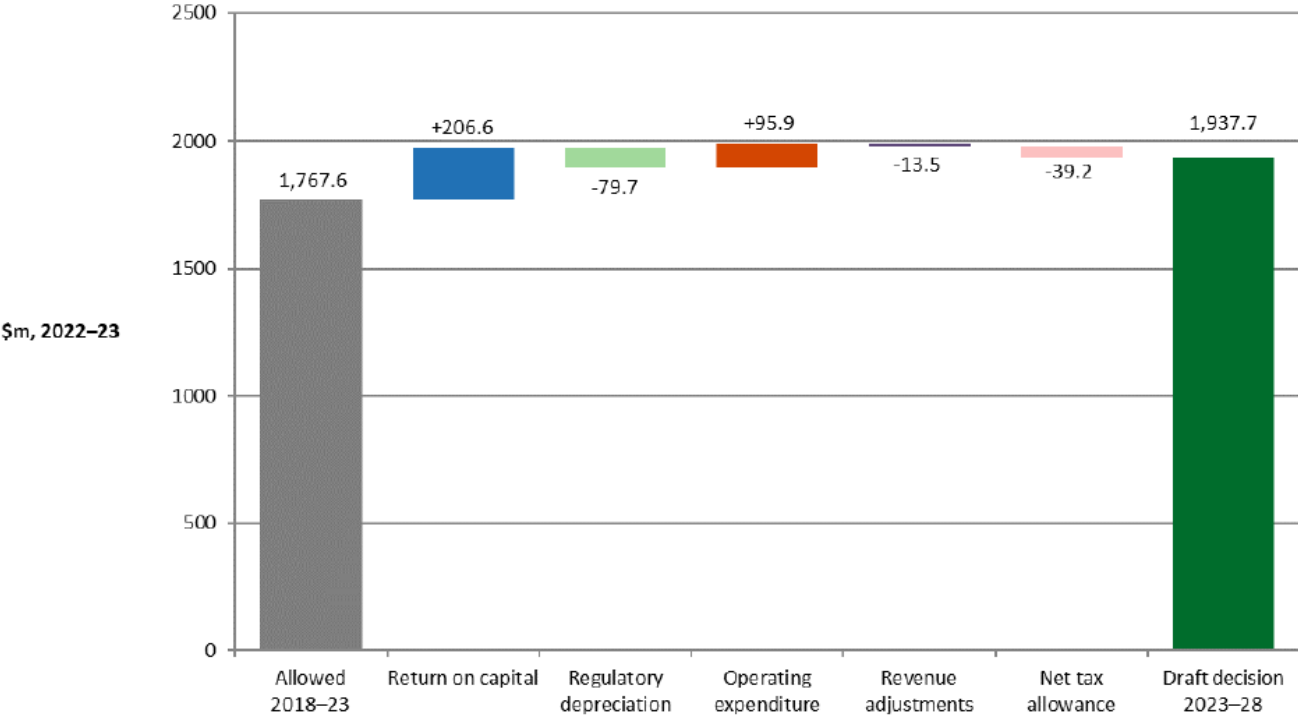
Figure 6 Key drivers of changes in the RAB over the 2023–28 period – ElectraNet’s proposal compared with AER’s draft decision (\$ million, nominal)



RAB impacted by opening level decision, inflation, depreciation and forecast capex

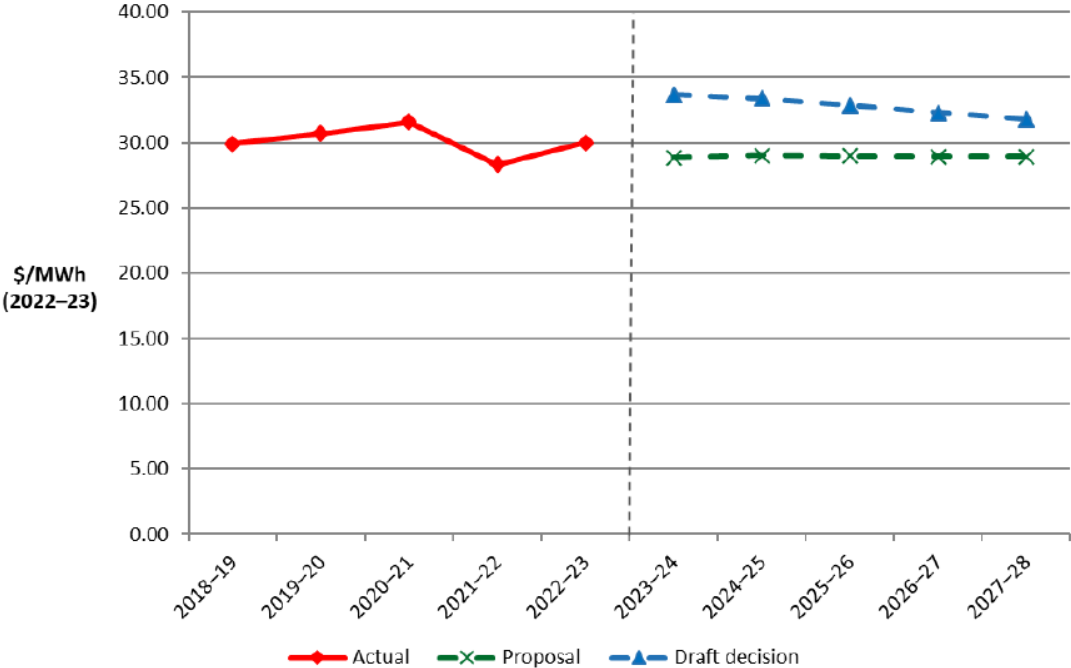
# Key revenue drivers

Figure 2 Change in building block revenue 2018–23 to 2023–28 (\$million, 2022-23; unsmoothed)



# Impact on transmission charges

Figure 3 Change in indicative transmission tariffs 2018–23 to 2023–28 (\$2022–23) per MWh

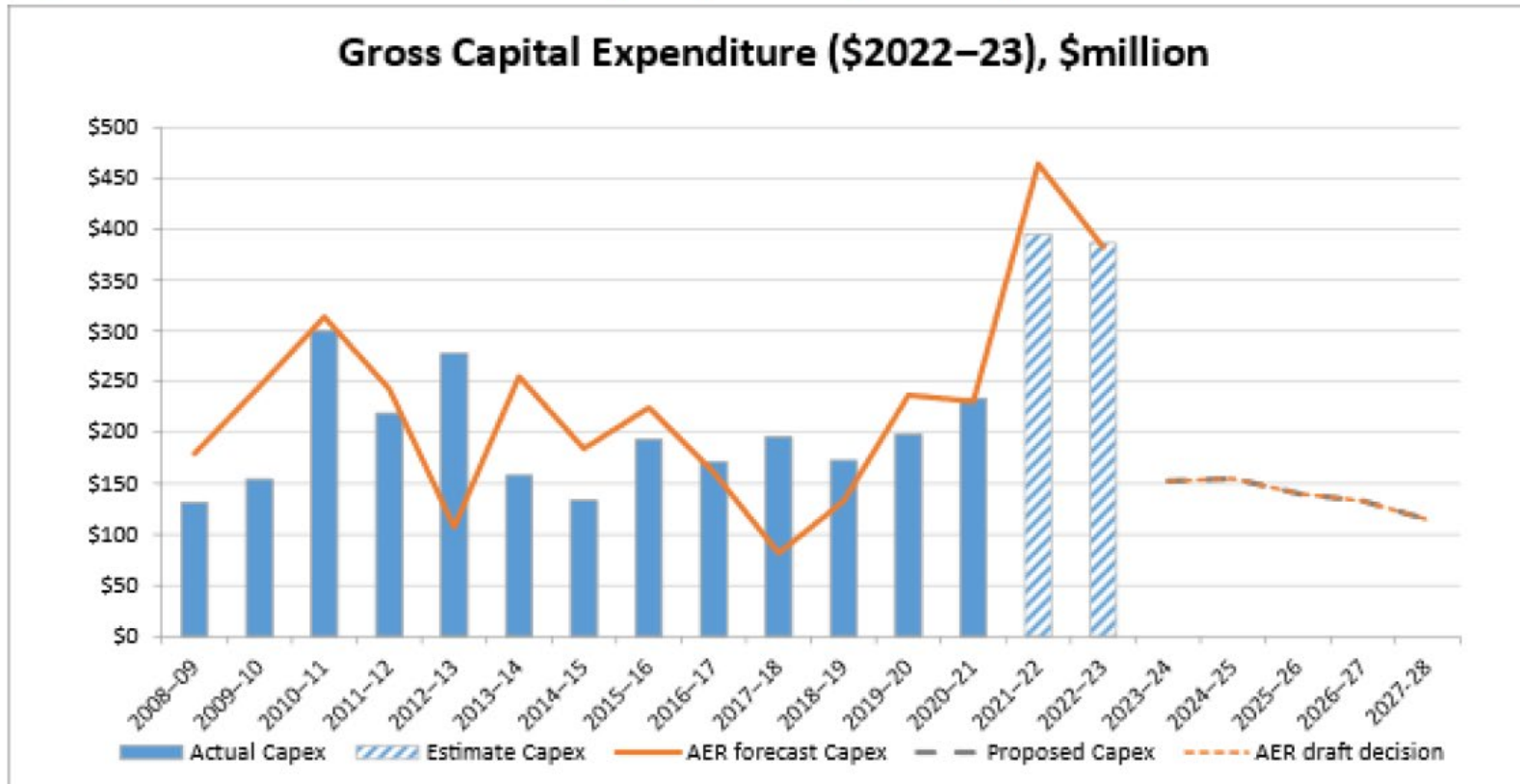


Modelled real time increase of 9.1% for transmission charges



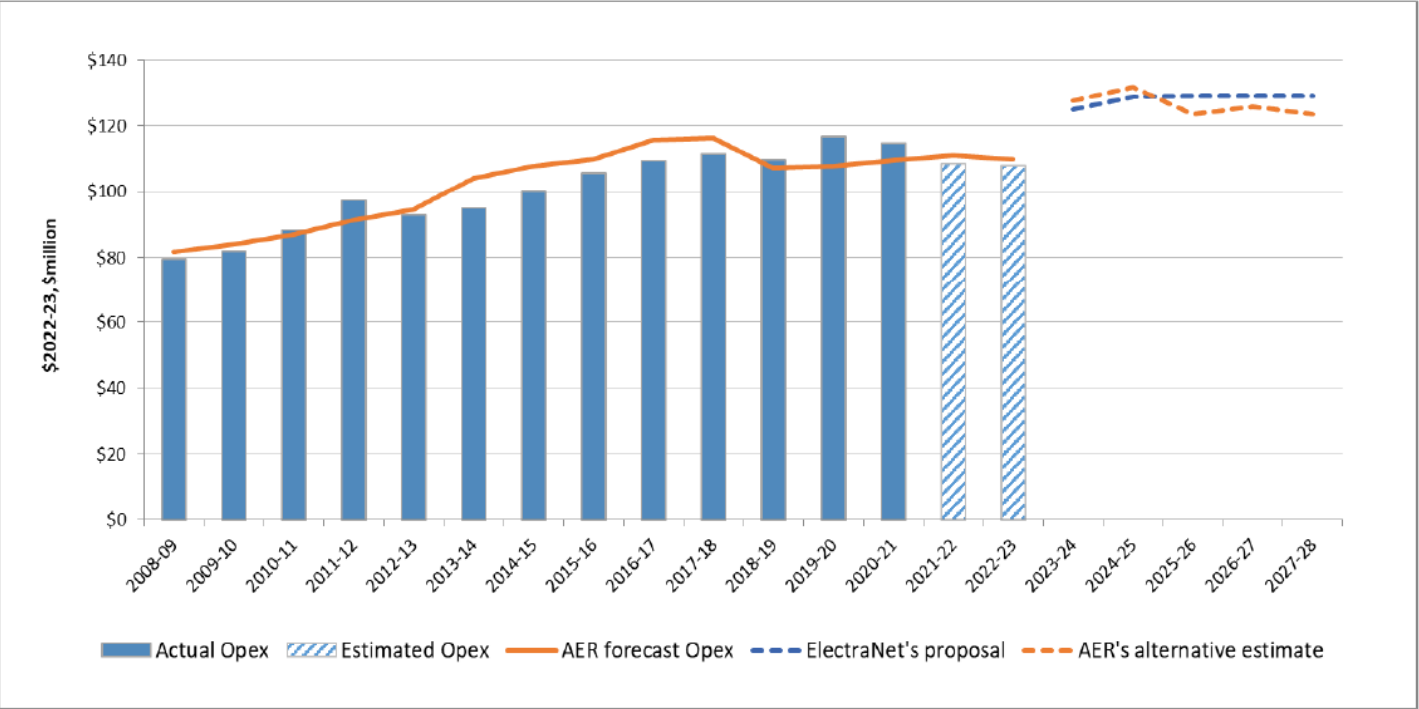
# Capital Expenditure

Figure 7 Historical and forecast capex (\$million, 2022-23)



# Operating Expenditure

Figure 8 Historical and forecast opex (\$million, 2022–23)



Our alternative opex estimate is **7.4 % lower** than ElectraNet's proposal (on a 'like for like' basis)

# Operating Expenditure – Comparison

**Table 6.1 Comparison of ElectraNet’s updated proposal and our alternative estimate of forecast opex (\$million, 2022–23)**

	ElectraNet’s initial proposal	ElectraNet’s updated proposal	AER’s alternative estimate	Difference
<b>Based on reported opex in 2020–21</b>	524.2	533.4	568.8	35.4
<b>Base year opex adjustment</b>	-1.9	-5.4	-4.8	0.5
<b>2020–21 to 2021–23 increment</b>	2.8	2.8	3.0	0.2
<b>Remove category specific forecasts</b>	-49.2	-41.4	-53.7	-12.3
<i>Output growth</i>	25.2	27.9	29.3	1.4
<i>Price growth</i>	5.1	5.3	10.8	5.5
<i>Productivity growth</i>	-4.3	-4.4	-7.8	-3.4
<b>Total trend</b>	26.0	28.8	32.3	3.5
<i>IFRS</i>	46.8	46.8	45.6	-1.2
<i>Insurance</i>	30.2	29.1	14.3	-14.8
<i>Cyber Security</i>	25.9	25.9	18.0	-7.9
<i>Cloud</i>	9.0	9.0	–	-9.0
<i>Rule change</i>	3.9	3.9	–	-3.9
<b>Total step changes</b>	115.8	114.7	77.9	-36.8
<i>Debt raising costs</i>	8.7	8.7	9.5	0.7
<b>Total category specific forecasts</b>	8.7	8.7	9.5	0.7
<b>Total</b>	626.5	641.8	633.2	-8.8
Percentage difference to proposal				-1.4%



\$36.8 million lower opex step change figure than ElectraNet proposal

# Consumer Engagement

- Regulatory proposals developed through genuine engagement with consumers are more likely to be accepted
- ElectraNet shared a report by Seed on its engagement process prior to January 2022 – useful to hear how engagement was received.
- Key messages
  - ElectraNet sincere in intent to engage collaboratively with consumers, even if fell short in early stages
  - Effectiveness of engagement improved over time – moved from informing to genuine dialogue
  - January proposal was “capable of support” by CAP
- Expect ElectraNet’s engagement to continue in its response to this draft decision and encouraged by steps ElectraNet has indicated it will take to improve upon its early experience
- Look forward to seeing the plans for following up on improvement opportunities

## Next Steps



- ElectraNet's revised proposal must be submitted by 2 December 2022.



- Stakeholders will then have until 20 January 2023 to make any submissions on our draft decision and ElectraNet's revised proposal.

- You can find our draft decision (and when it is submitted ElectraNet's revised proposal) on the AER website here:

<https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/electranet-determination-2023%E2%80%9328>



- Submissions can be sent to: [ElectraNet2023@ aer.gov.au](mailto:ElectraNet2023@ aer.gov.au)

# Questions

