

# ElectraNet 2023-2028 Draft Decision

## CCP Briefing to the AER Public Forum

- **CCP scope** – The CCP has been directed by the AER to focus on the effectiveness of ElectraNet’s engagement activities with their customers and how this is reflected in the development of their proposal. That is the focus of this briefing.
- **CCP Observation** – Since the CCP made its submission to the AER’s Issues Paper in May 2022 we have observed:
  - The CAP meeting of 29/5/22, which included a very brief update on the Revenue Proposal.<sup>1</sup>
  - CAP then underwent a restructure, recruitment and induction process, in which the CCP was not involved.
  - The first substantive opportunity for the CCP to observe ElectraNet’s consumer engagement was therefore last month when we were invited to observe the CAP meeting of 29 September.
  - We then observed the CAP meeting of earlier this week, on Monday 17 October.
- **Engagement Approach** – The CCP was somewhat nervous that ElectraNet may have missed the opportunity to pursue high quality engagement on outstanding aspects of the Revised Proposal. However, we found the September CAP meeting to be reassuring for the following reasons:
  - ElectraNet are looking for a strong partnership with the CAP in preparing their Revised Proposal. They have walked the CAP through where the opportunities to influence the outcomes lie and are looking to facilitate engagement on the matters that the CAP sees as a priority.
  - There are a series of advance dates set in the calendar to enable this work to take place.
  - Despite the once again challenging timeframe, CAP members are available, engaged and committed.

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<sup>1</sup> Rob Nicholls was the CCP observer

- The revised CAP includes new voices, who have demonstrated a willingness to challenge ElectraNet and bring a strong focus on consumer outcomes.
- **Revised Proposal** – We look forward to observing the impact of consumer engagement on the Revised Proposal.

The CCP has identified a number of matters that may be the subject of stakeholder engagement and we offer the following perspectives.

- **CESS** – The CCP is supportive of the AER’s position regarding the capital expenditure efficiency scheme (CESS) and their treatment of the projects that ElectraNet has proposed to bring forward as a result the delay of Project Energy Connect.
  - Whilst we empathise with ElectraNet’s intent in their letter of 9<sup>th</sup> May to smooth capital investment over time and avoid a ‘windfall gain’ from the change in timing of the project, we do not support the principle that a utility can opportunistically ‘substitute in’ projects that have not been consulted on with their consumer representatives or otherwise assessed as prudent and efficient or fail the ‘not a dollar before it is required’ adage.
- **Looking to the future** – It’s at this time that as a CCP we are interested to understand how ElectraNet’s approach to engagement will be maintained during the regulatory reset and, in particular, what governance mechanisms will facilitate accountability for customer outcomes throughout the reset period. This may be an area that ElectraNet wishes to explore during this consultation phase and in its Revised Proposal.
- **Collaboration** – In the current environment, and particular in the context of the challenges that the energy transition will present, we are interested in understanding what opportunities exist for greater collaboration between stakeholders in the supply chain.
  - The changing consumer environment has not traditionally been an area of strong collaboration and we see it as a strong opportunity in South Australia because of the shared consumer footprint between SAPN and ElectraNet.
  - For example, could SAPN’s emerging consumer insights usefully inform the ElectraNet Revised Proposal? And could ElectraNet and SAPN undertake more coordinated engagement with consumer stakeholders during the next reset period?
  - In particular, the contingent project to address capacity and reliability to the Eyre Peninsular would benefit greatly from a coordinated approach not only in technical response, but also a focus on synergies and public alignment in consumer and community engagement on matters such as reliability, costs and non-‘poles and wires’ solutions.

- **Rising revenues and cost pressures** - The shift in the external environment, in particular the adverse outlook for electricity prices and economic conditions is a matter of significant concern.
  - This is not just a matter for ElectraNet. Every network undergoing a reset is in the process of re-evaluating their expenditure plans from earlier this year to account for the changing economic conditions. In fact, every business in Australia is going through this re-evaluation process. Any workably competitive market will be adjusting (either proactively or reactively) to the unanticipated, severe and forecast prolonged, changes in economic conditions that will see both households and businesses squeezed.
  - Rising energy costs will severely impact many consumers and will present greater levels of hardship to the increasing cohort of vulnerable consumers. We encourage ElectraNet to pursue the importance of affordability in their Revised Proposal.
  - Given the inflationary and economic challenges, if ElectraNet identifies a need for additional price increases, we would expect a strong consideration of commensurate savings in support of this.
  - We encourage ElectraNet to consider every opportunity in light of the pressures to address affordability. We look to initiatives such as a heightened focus on innovation, improved productivity or even short-term non-network approaches to reduce or defer not only capital but importantly operating costs.
  - We implore ElectraNet to 'value every customer dollar' in the preparation of their Revised Proposal.

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