

CENTRAL IRRIGATION TRUST

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15 April 2019

Mr Warwick Anderson
General Manager, Networks Finance and Reporting
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Sent by email to SAPN2020@aer.gov.au

CIT Submission to SA Power Networks Regulatory Proposal (2020 – 2025)

As a large energy consumer in South Australia I would like to thank the Australian Energy Regulator for allowing us to make a submission on SA Power Networks Regulatory Proposal 2020-2025.

Firstly I would like to congratulate SAPN on their community engagement strategy which at least gave our communities the opportunity to voice our opinion on the electricity industry and the SAPN regulatory proposal. Whilst on the surface the proposal may seem a reasonable outcome for customers, deeper reflection and analysis indicates that SAPN has not made the changes required by customers to see our electricity costs return to an acceptable level.

SAPN is seeing a reduction in demand across their network and this has significant impacts on customers. The 2019 pricing schedule highlights this impact with a 3% revenue increase producing a 9% increase in costs to customers comprised of 3% revenue increase, 3% for under recovery and efficiencies and further 3% for decreased network demand. So a modest increase in a revenue proposal such as that of the 2020/2025 proposal can lead to significant increases in costs to the customers a position we can no longer accept.

We operate in a region that exports much of its produce and can no longer accept our energy costs being amongst the highest in the world seeing what was once a competitive advantage now being a significant competitive disadvantage.

In terms of the SAPN proposal we are seeing significant investment in IT but not a corresponding decrease in costs. This is not acceptable business practice as any business case for capital investment should have an associated productivity improvement and in this case should be reflected in significant OPEX expenditure decreases rather than the significant increases proposed.

Managers of the grower owned

Berri, Cadell, Chaffey, Cobdogla, Golden Heights, Kingston, Loxton, Moorook, Mypolonga, Sunlands, and Waikerie Irrigation Trusts Inc. and the Lyrup Village Settlement Trust Inc.

Any revenue decreases in the proposal have been forced on SAPN through implementation of regulator forced changes such as the Rate of Return Guideline, tax treatment and Productivity Improvements all of which SAPN opposed vigorously.

We do not believe that SAPN has searched hard enough inside their business to reduce costs or carry through the efficiencies for which they have previously been recompensed and subsequently reducing their costs in real terms in the current proposal.

We implore the AER to heed the advice of the AER Consumer Challenge Panel and further reduce the revenue proposal from SAPN so that customers can gain some real relief.

Please feel free to contact me if you would like to discuss our submission further.

Regards

Gavin McMahon
Chief Executive Officer