ECA insights on the SA Power Networks' revenue proposal

AER pre-determination conference
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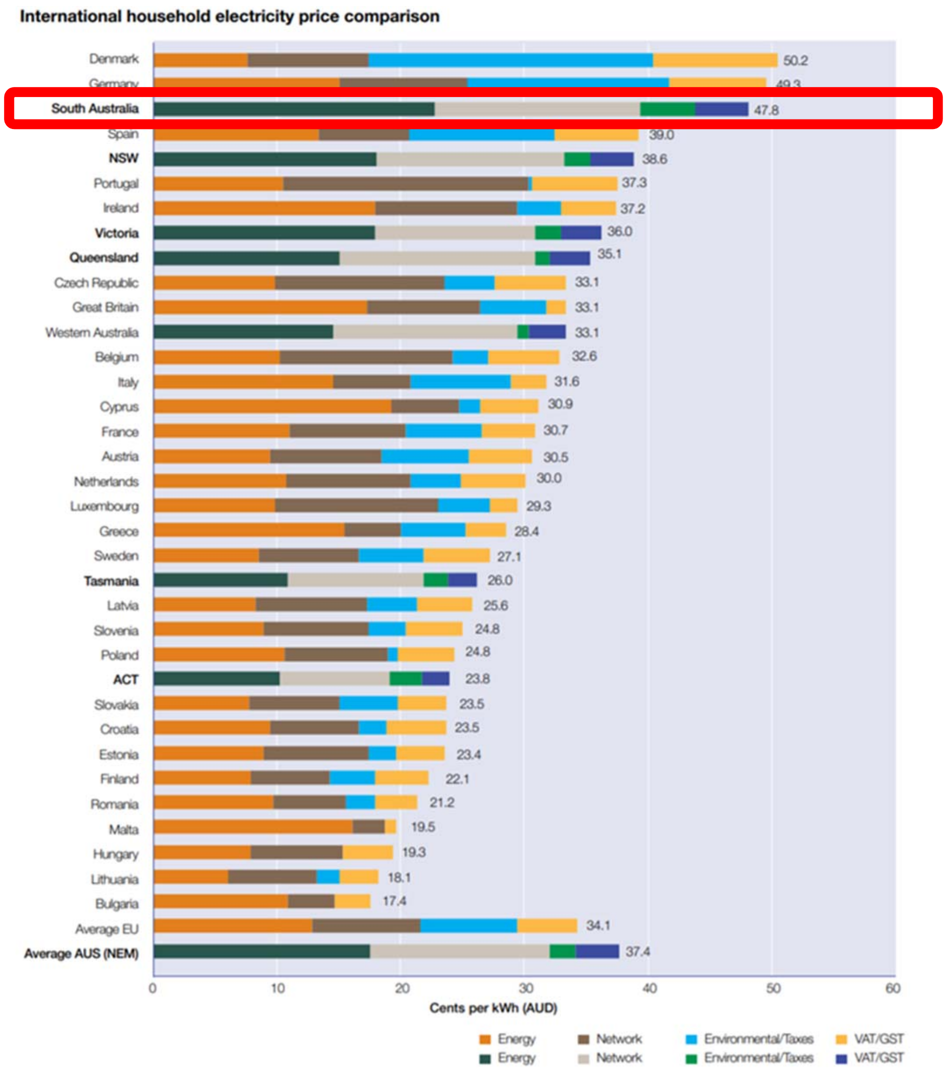
Overview

1. Our vision for the market
2. What consumers are telling us
3. Getting to “capable of acceptance”
4. Where to from here?

1
Our vision for the market

Ensuring that consumer values, priorities and preferences are understood and given explicit consideration in every decision is critical for the effective operation of the system and for maintaining community support for transition.



South Australia

“South Australia had the highest electricity bill to income ratio in low income households, despite having the second lowest electricity use in the NEM”.

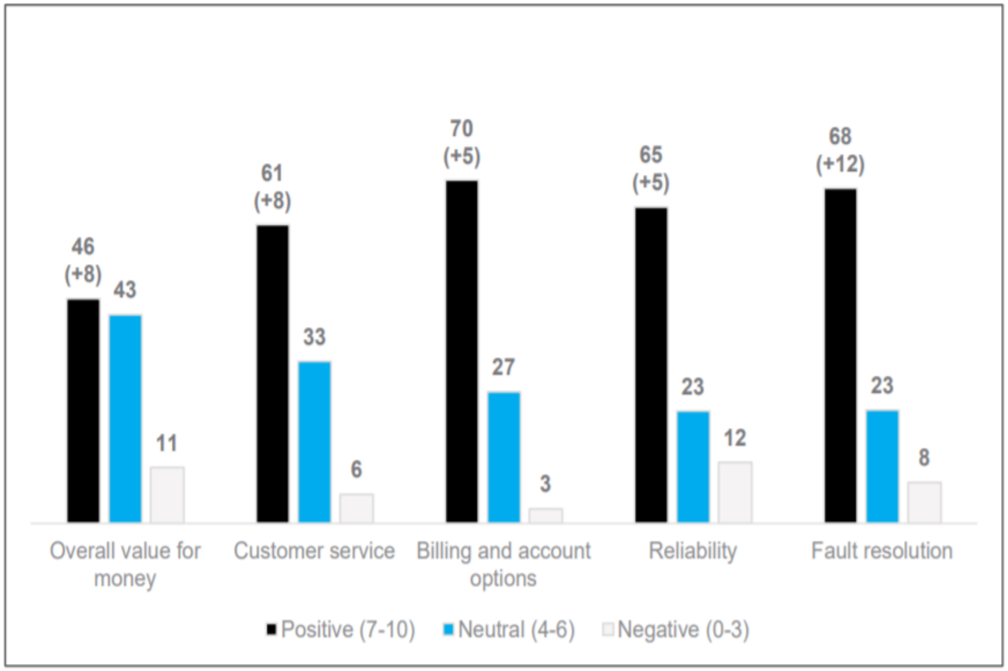
Source: AER, *State of the Energy Market 2018,* Figure 1.9 (graph); and page 64 (quote).

Our vision for the market

ECA promotes these three advocacy principles as the basis for better consumer outcomes.

2
What consumers are telling us

Satisfaction with electricity

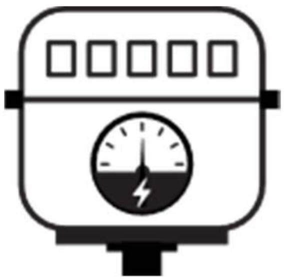


Source: Energy Consumer Sentiment Survey June 2019

46%

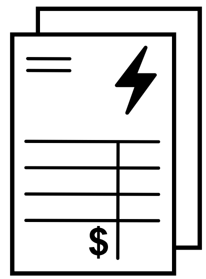
of South Australian households are satisfied with the overall value for money of their electricity service

Household consumer confidence in long-term outcomes



46%

Are confident there will be more reliable services in the future



29%

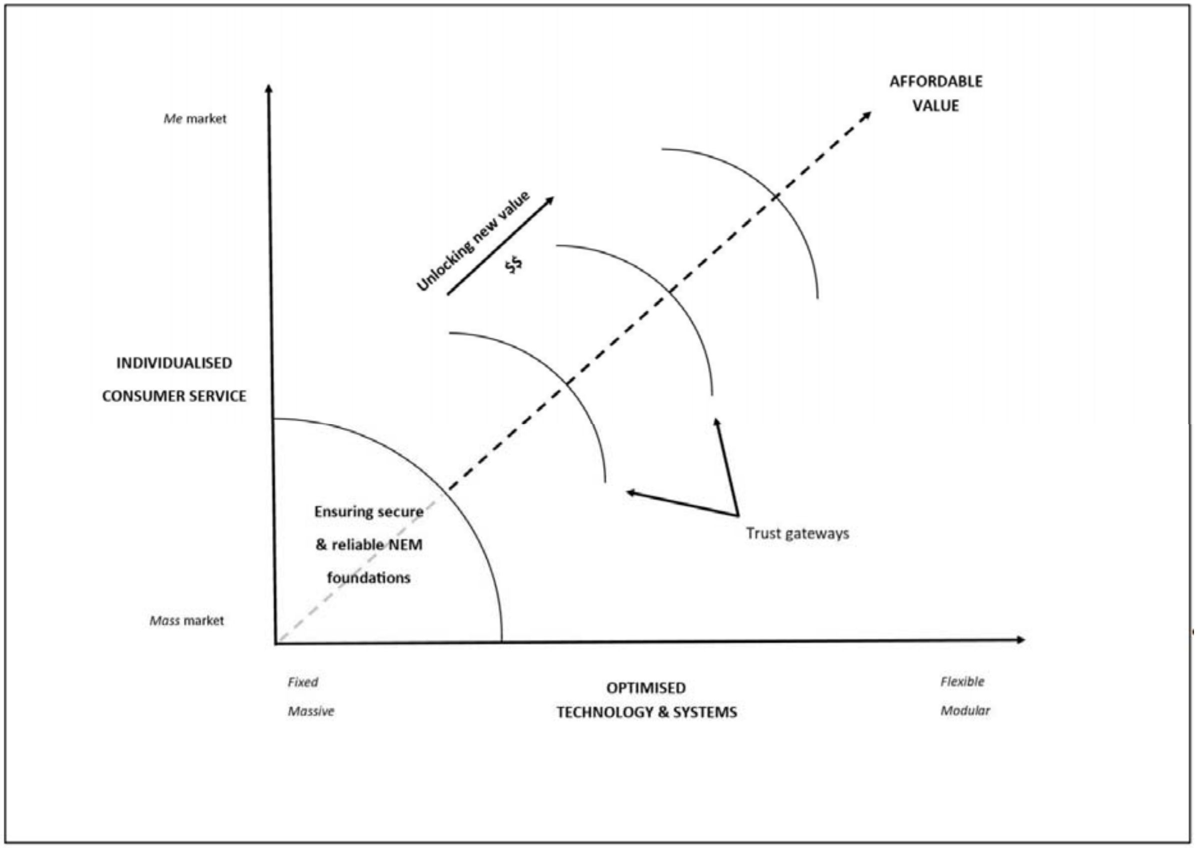
Are confident of better value for money

42%

Are confident that future technological advances will improve their ability to manage their energy use and costs

3
Getting to "capable of acceptance"

Building trust for a new paradigm



Customer outcomes transition pathway

Area of expenditure	More evidence needed	Assurance or reduction
Operating expenditure (opex)	• Proposed opex in 2024-25 is 20% higher than its 2017-18 actuals. • Overstated labour escalation; and volume and customer growth.	• Defer to AER's decision on escalation and productivity. • Demonstrate more evidence on the magnitude of the step changes.
Replacement capital expenditure (repex)	• Ageing network. • Future plans to address affordability and reliability tensions.	• Defer to AER repex model unless SAPN can address the evidence gaps in individual programs. • Provide greater transparency in calculation of risk assessment.
ICT capital expenditure	• Need. • Benefits to consumers. • High costs, more frequently.	• Develop a narrative about the benefits its ICT program will deliver for consumers and why it is needed. • Articulate productivity and efficiency gains and how these will be passed on to consumers.
Capex to integrate solar exports	• Not transparent – risk of duplication and overlap with other programs.	• Untangle the DER management projects. • Highlight interdependencies.
CESS	• Delivery issues in the first two years.	• How can we tell the difference between under-delivered and efficiency?

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Where to from here?

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