



10 November 2020

Ms C Preston
Australian Energy Regulator
Level 38, 360 Elizabeth Street
MELBOURNE 3000 VIC

Email: Claire.Preston@aer.gov.au

Dear Ms Preston

Draft 2020 Benchmarking Report for Electricity Distribution Network Service Providers

Thank you for your email of 26 October 2020 inviting comments on the AER's draft 2020 Economic Benchmarking Report for electricity distribution service network providers (DNSPs). SA Power Networks has reviewed the draft benchmarking report and comments are provided below:

Updated weights for non-reliability outputs

SA Power Networks is supportive of the correction of the time trend error which impacts the non-reliability output weights, including Energy throughput, Ratcheted maximum demand, Customer numbers and Circuit length. The corrected weightings more closely align with SA Power Networks' expectations of underlying cost sharing, with circuit length and ratcheted maximum demand the primary drivers of cost for DNSPs. Consistent with our previous submissions, we support a reduced reliance on energy throughput as this factor does not drive constraints nor material costs on distribution networks. We would also encourage an eventual re-assessment of the continued inclusion of this factor.

Review of benchmarking modelling to account for distributed energy

We welcome the AER's plan to review benchmarking modelling to account for the value derived by customers from DNSPs actions to integrate and provide hosting capacity for Distributed Energy Resources (DER).

With the rapid increase in the number and total capacity of rooftop solar installations, the role of the distribution network, and the services required from it, have changed. This is already having noticeable impacts in South Australia, where a third of residential customers now have their own rooftop solar generation and we are also seeing a major step-up in business investment in solar.

SA Power Networks is well advanced on the transition to providing multiple new services to customers, with the penetration of solar and other embedded generation across the industry forecast to continue to grow.

In completing this review, we encourage the AER to be mindful of any implications arising from the AEMC's considerations of the proposed 'DER access and pricing rule changes' and SA Power Networks' proposed rule change enabling 'export services' to be recognised as a distinct service that DNSPs are required and incentivised to provide customers commensurate with customers' demand for the service and desired service levels.

Differences in cost allocation and capitalisation approaches

We acknowledge the AER's recent analysis into the differences in cost allocation and capitalisation approaches that may impact on benchmarking results and support the AER extending this analysis and consulting on these matters over the next twelve months. We believe that a broad review of overhead cost allocation and capitalisation approaches must be undertaken as a priority to reveal whether cost allocation and capitalisation is a significant factor impacting on benchmarking results.

Please contact [REDACTED] if you require any further discussion or clarification of the above.

Yours sincerely



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