

31 March 2023

Mr Warwick Anderson
General Manager, Network Pricing
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Sent via email: aerpricing@aer.gov.au

Dear Warwick Anderson,

SA Power Networks' 2023/24 Pricing Proposal

SA Power Networks is pleased to provide the 2023/24 Annual Pricing Proposal (APP) to the Australian Energy Regulator (AER).

The APP has been prepared in accordance with the Chapter 6 requirements of the National Electricity Rules and with the structures outlined in the SA Power Networks 2020-25 Approved Tariff Structure Statement.

We would like to bring the following matters to your attention:

Increases in Consumption

As summarised in the table below, our estimated consumption quantities for 2022/23 are 339 GWh (3.5%) higher than forecasted in the 2022/23 APP. This has been a key driver of the estimated distribution over-recovery balance at 30 June 2023 of \$31.6M.

In line with this observed increase in customer consumption, we have forecasted for 2023/24 that usage will remain relatively unchanged when compared to the 2022/23 estimate.

Tariff Classes	2022/23 Forecast GWh	2022/23 Estimate GWh	Variance GWh	2023/24 Forecast GWh
Residential	3,300	3,412	112	3,443
Controlled Load	480	480	-	450
Business	4,670	4,890	220	4,882
Major business	1,214	1,221	7	1,231
Total	9,664	10,003	339	10,006

Increases in Total Allowable Revenue

SA Power Networks' Total Allowable Revenue in 2023/24 is \$854.4M, an increase of \$51.7M compared to \$802.7M in 2022/23. This increase is attributable to:

- CPI of 7.83% for December 2022.
- X-factor of 0.56% reflecting the AER's Return on Debt update for 2023/24 and including the approved pass through for the April 2022 emergency standards.

Increases in Forecasted Pass Through Charges

SA Power Networks is forecasting increased pass through charges in 2023/24. These increases are attributable to:

- Forecasted transmission charges of \$349.5M in 2023/24, a 16% (\$48.2M) increase from 2022/23.
- A new Jurisdictional Services Obligation – AGL Designated Services scheme. Payments of \$6.5M on or before 30 June 2023 and \$6.5M on or before 30 June 2024 are required to be made.

2023/24 vs 2022/23 Pricing Outcomes

The weighted average price movement for 2023/24 in comparison to 2022/23 for Distribution Use of Service (DUoS), Transmission Use of Service (TUoS), Jurisdictional Service Obligation (JSA) and Network Use of Service (NUoS) by tariff classes is shown below.

Tariff Classes	DUoS	TUoS	JSA	NUoS
Residential	(2.1%)	10.8%	6.7%	1.4%
Small business	3.4%	11.1%	11.6%	5.8%
Large LV business	3.4%	10.5%	16.4%	6.1%
HV business	3.3%	11.1%	25.4%	6.9%
Major business	3.3%	13.6%	100.2%	12.5%
Total	0.3%	11.0%	10.9%	3.8%

These percentage price movements represent an \$11 NUoS increase for an average 4MWh Residential customer and \$85 increase for an average 10MWh Small Business customer, on single rate tariffs.

Excluding GST	DUoS	TUoS	JSA	NUoS
Residential	\$ 505	\$ 170	\$ 63	\$ 739
Change vs 2022-23	(\$ 9)	\$ 16	\$ 4	\$ 11
Business	\$ 1,229	\$ 478	\$ 109	\$ 1,816
Change vs 2022-23	\$ 30	\$ 46	\$ 9	\$ 85

Residential: 4MWh and Small Business: 10MWh

Changes between the Preliminary and Final APP

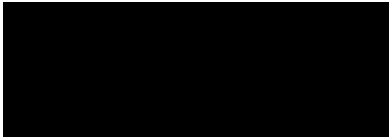
The key changes from the Preliminary APP submitted to AER on 17 February 2023 include:

- Transmission charges – The Preliminary APP assumed a TUoS increase of 10% in 2023/24 compared to 2022/23. TUoS for 2023/24 has increased to 16%.
- X-factor – The Preliminary APP included an X-factor of 1.43%. The X-factor in the Final APP is 0.56% reflecting the AER's Return on Debt update for 2023/24 and including the approved pass through for the April 2022 emergency standards.
- Consumption quantities – The Preliminary APP included a forecast consumption quantity of 10,040 GWh. This forecast has been revised downwards marginally in the APP to 10,006 GWh because of additional information in the period post the Preliminary APP submission.



If you have any queries or require further information in relation to our submission, please contact me on [REDACTED]

Yours sincerely



Helen White
Revenue & Pricing Manager

