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Total Environment Centre

South Australian Power Networks 2015-20 Regulatory Proposal

Submission to Australian Energy Regulator

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Total Environment Centre's National Electricity Market advocacy

Established in 1972 by pioneers of the Australian environmental movement, Total Environment Centre (TEC) is a veteran of more than 100 successful campaigns. For nearly 40 years, we have been working to protect this country's natural and urban environment, flagging the issues, driving debate, supporting community activism and pushing for better environmental policy and practice.

TEC has been involved in National Electricity Market (NEM) advocacy for ten years, arguing above all for greater utilisation of demand side participation — energy conservation and efficiency, demand management and decentralised generation — to meet Australia's electricity needs. By reforming the NEM we are working to contribute to climate change mitigation and improve other environmental outcomes of Australia's energy sector, while also constraining retail prices and improving the economic efficiency of the NEM — all in the long term interest of consumers, pursuant to the National Electricity Objective (NEO).

As with other current network revenue determinations, TEC's interest is primarily in how well networks consider non-network options, particularly demand management (DM): that is, measures to reduce peak demand, thereby encouraging energy conservation and reducing unnecessary infrastructure investment, both leading to lower bills for consumers. In the current submission we also discuss SAPN's plans for a new undersea cable to Kangaroo Island as an example of its very poor consideration of non-network options.

DM in the NEM

DM utilisation in Australia has been historically limited when compared to international best practice. The current value of network and non-network DM in Australia currently equates to less than 2% of total peak demand.¹ In the US DM meets 4.3% of total peak, with many states currently setting targets for peak demand reduction between 5 and 15%.² In California the equivalent peak load reduction is 6 percent.³

As noted by the AEMC and the Productivity Commission in the context of recent reviews, there is significantly more opportunity for DM in the Australian system than is currently being pursued.⁴ It is estimated that \$2.2 billion per year of avoidable network costs are being passed on to consumers Australia wide⁵. While it is generally agreed that the current allocation of funds under the DM Incentive Allowance (DMIA) is too low, utilisation of the scheme has been even lower, with just 13% of the scheme expended in 2012.⁶

¹ Dunstan C, Downes, J & Sharpe, S. (2013).

Restoring Power: Cutting bills & carbon emissions with Demand Management. Institute for Sustainable Futures, University of Technology Sydney. Prepared for the Total Environment Centre, p 57.

² Productivity Commission, 2013, op cit. citing Faruqui and Fox-Penner (2011), p 46.

³ Productivity Commission, 2013, op cit., and Australian Energy Market Commission, 2012, *Power of Choice Review – Giving Consumers options in the way they use electricity (Final Report)*.

⁴ Futura Consulting, 2011, *Power of Choice – Giving consumers options in the way they use electricity*. Cited in Dunstan c, et al, 2013, op cit.

⁵ Dunstan, C., Downes, J. & Sharpe, S. (2013) *Restoring Power*, p 27. TEC notes that Ausgrid increased its rate of expenditure in the 13/14 financial year, and is projecting a total spend of 4.1 m of the 5 m allocation.

⁶ Dunstan, C., Downes, J. & Sharpe, S. (2013) *Restoring Power*.

There is a strong imperative to utilise DM in order to reduce costs and therefore increase the affordability of energy for consumers, but also to improve the environmental performance of the electricity system. A substantial body of evidence supports the position that a change in approach to network growth is needed:

- Electricity prices more than doubled between 2007 and 2013.⁷
- Network charges make up half the average NSW residential consumer's bill.
- Networks are investing more than \$43 billion in the current 5 year regulatory period.⁸
- The Grattan Institute estimates that \$7.8 billion of network investment could have been avoided from 2009 to 2013 if prices had been used to encourage consumers to use less power in periods of peak demand.⁹
- An estimated one third of the current investment in the networks is to cater for growth, and in particular, growth in peak demand.
- The Productivity Commission estimates that peak demand events occur for less than forty hours per year (or less than 1% of the time) yet account for approximately 25% of the average residential bill.¹⁰
- The AEMC estimates that 'the economic cost saving of peak demand reduction in the NEM is likely to be between \$4.3 billion to \$11.8 billion over the next ten years'¹¹. These savings include cost reductions associated with avoided network capital expenditure.

DM is critical to halting the unprecedented growth of network infrastructure that occurred in the previous regulatory period. Beyond this, there are technological and environmental imperatives to invest in DM. Australia has one of the most carbon intensive economies in the world and the electricity sector currently accounts for 35% of Australia's greenhouse gas emissions.¹² The continued supply side focus in this sector has exacerbated this. Peak demand is mostly met by fossil fuelled generation. Improving energy efficiency and reducing energy consumption, particularly at peak times, is one of the most cost effective ways of achieving carbon abatement. Technological change is also presenting challenges for electricity networks and their continued supply side focus. The widespread adoption of solar PV, improved energy efficiency of appliances and buildings, and the future possibilities of energy storage and electric vehicles is generating rapid changes that have led to a decline in average demand while widening the gap between average and peak demand.

If more DM had been supported during this period consumers, the Australian economy and the environment could all have benefited. Despite the numerous reports (by the AEMC, Senate, Productivity Commission, etc) that have highlighted the gross errors in the AER's current determinations, the AER now seems set to make equally massive blunders. At the heart of this failure is the AER's refusal to take DM, energy efficiency and distributed renewable seriously as alternatives to network investment. There are increasingly loud warnings that the future will involve rapidly changing market conditions and technology including low cost solar and potentially affordable battery storage, carbon constraints, energy efficiency and more flexible energy management. DM is critical to this transformation. DB need to be incentivised to embrace and facilitate not resist and obstruct this future. However, after more than six years of

⁷ Speech by Andrew Reeves, Acting Chairman, Australian Energy Regulator, August 2014.

⁸ Grattan Institute, 2014, *Fair pricing for power*.

⁹ Productivity Commission, 2013, *Electricity Network Regulatory Frameworks, Report No.62*, Canberra.

¹⁰ Australian Energy Market Commission, 2012, *Power of Choice Review – Giving Consumers options in the way they use electricity (Final Report)*.

¹¹ Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education, 2013. *Quarterly Update of Australia's National Greenhouse Gas Inventory, December Quarter 2012*.

¹² National Electricity Rules, Version 64, p 20.

responsibility for DB regulation, the AER still does not have an effective DM incentive scheme in place. The paltry DMIA's in the current regulatory period send a strong signal to the DNSPs that the AER does not take DM seriously. TEC has consistently regulators about these concerns in its reports over the past decade; in particular, the risk of overinvestment arising from the failure of the AER and the DBs to take DM seriously.

The regulatory framework for DM

Ideally, demand management would be encouraged through the following range of regulatory mechanisms:

1. *Overarching objective*: the National Electricity Rules ensure that DM and other non-network options (energy conservation and efficiency and local generation and storage) are given an opportunity to contribute to the National Electricity Objective (NEO) on an equal footing to capex spending.
2. *Incentives*: an effective DM incentive scheme (DMIS) for both transmission and distribution businesses drives DM wherever it will reduce net costs to consumers.
3. *Innovation*: network businesses use the demand management innovation allowance (DMIA) to drive real innovation to reduce peak demand.
4. *Targets*: network businesses set DM targets in collaboration with regulators.
5. *Expectations*: the AER clearly and consistently signals its determination to scrutinise network revenue proposals for evidence that DM and other non-network options are being considered seriously by network businesses.
6. *Benchmarking*: the AER compares the DM performance of all networks according to metrics such as the benefit:cost ratio and/or \$/kVA of energy saved, and applies these benchmarks to its revenue determinations.
7. *Timing*: DM and other non-network options are seriously considered prior to being included in networks' revenue proposals, rather than through the regulatory investment tests (RITs) administered once revenues have already been guaranteed.
8. *Reporting*: network businesses report annually to the AER on their DM activities and outcomes, with inadequate performance penalised by reduced revenue allocations.

By contrast, there are currently significant impediments to DM being properly considered as an efficient alternative to capex spending. These impediments include:

- Unlike the returns on DM-related opex, capex spending adds to regulated asset bases (RABs) and earns a regulated return for an average of 30 years, leading to a significant incentive to 'gold plate' networks.
- The tokenistic nature of RIT processes to date, with very few RITs resulting in the decision to defer or abandon capex projects in favour of non-network options.
- The AER's failure to signal to network businesses from the beginning of revenue determination processes that it takes DM and other non-network options seriously and will adjust revenues accordingly.
- The absence of a DM incentive scheme (DMEGCIS) that properly rewards networks for DM-related opex spending.

Under the current regulatory framework, the incentives for DM are limited to the following:

- The DMEGCIS (in the case of DBs), which is currently restricted to DMIA's.

- Non-network options may be considered as alternatives to augmentation and replacement capex proposals in regulatory proposals.
- In theory but not in practice, non-network options are considered in the RITs undertaken for augmentation capex projects over \$5 million.

Since the AER has decided not to apply (to distribution network determinations) the DMEGCIS pending resolution of the rule change requests submitted by TEC and SCER, consideration of DM is restricted (in regulary resets) to the use of non-network options to reduce augmentation capex (what the AER refers to 'the capex/opex tradeoff') and the use of the DMIA to incentivise networks to trial innovative DM projects and technologies.

In principle TEC supports DM spending by networks, and considers that the DMIA should not be limited to an arbitrary cap of \$1 million per year for innovative projects. However, we consider that, no matter what the proposed level of expenditure, DM revenue should comply with the following criteria:

1. Proposals should be truly innovative rather than continuing or rehashing projects that have already been undertaken by any network.
2. Learnings from successful past projects should be integrated into business as usual planning, particularly in respect of alternatives to augex plans.
3. Learnings from the next regulatory period should be shared with other networks and the public.
4. Networks should report annually in their Annual Planning Reports on their DM performance, preferably against metrics determined by the AER (such as the \$ cost per MVA reduced).

The AER's role

As with other network revenue resets, TEC considers the AER has to date sent a message to SAPN that it does not consider DM to be an important part of the 2015-20 revenue proposal. This began with the 2013 Framework and Approach Paper, which, in light of the redundancy of Part 2 of the current DMEGCIS with the change to a revenue cap and the pending DMEGCIS rule change, restricted consideration of DM to the DMIA. (As Ausgrid noted in its revised proposal, this means that there will actually be fewer DM incentives in the next regulatory period than in the current one.)¹³ There was no mention of the need to elucidate a coherent DM strategy, let alone the possibility that the AER might set a target for capex-opex trade-off to encourage more network DM. This lackadaisical approach continued with the AER's 2014 Issues Paper, which has a very short section on DM which merely summarises without comment SAPN's approach, providing no direction to the network or other stakeholders.

In its draft determination for the NSW networks the AER has sent two conflicting messages about its approach to DM. On the one hand, it rejects Ausgrid's proposed opex spending for broad-based DM on the basis that, being weighted towards the later part of the regulatory period, a similar outcome may be achieved through the introduction of cost-reflective network tariffs. In TEC's view this places too much faith in a rule change that has not yet been tested, and places too little weight on the possible complementarity of tariff reform and other broad-based DM strategies.

On the other hand, TEC supports the AER's proposal to use top-down benchmarking or targets to assess the extent of DM that could reasonably be expected of networks in the current round of revenue

¹³ Ausgrid, Revised Regulatory Proposal and Preliminary Submission, 112.

determinations: that is, the use of the effectiveness of DM spending in the previous/current regulatory period as a means of reducing augex revenue needs to benchmark networks' DM plans for the next regulatory period,¹⁴ as long as they are economically efficient. (In other words, if a reduction in augex of 9% could reasonably be expected through DM measures, then augex revenue should be reduced by the same amount.) While a universally applied target of, say, 9% may be deemed arbitrary, the AER could ask each network to set its own target for a DM related capex-opex tradeoff. Where this target falls well below the 9.2% achieved by Ausgrid in 2009-14 (say, below 5%), the AER could decide to reduce capex by a similar amount without allowing additional opex, thereby creating an incentive for networks to be proactive in setting their own goals.

However, we note that NSW networks have raised a number of issues around the relevance of using one network's DM performance to benchmark other networks' future DM plans. We also note that in NSW the AER has flagged applying a benefit to cost ratio of 2.5:1 for the capex-opex trade-off. The rationale for yet another arbitrary regulatory bias against DM is unclear. TEC considers that any DM spending with a higher economic benefit than the cost (ie, a ratio of 1:1) should be approved. Indeed, given the long term neglect of DM by network businesses and their regulators in Australia, it would be preferable for the AER to require networks to have a DM budget equivalent to at least 5% of the augex budget and only allow trading off of this DM budget if the offsetting capex exceeded the DM savings by a ratio of 2.5:1.

TEC would also prefer that the AER 'ground-truthed' its benchmarking by analysing at least some particular large augex and repex proposals, to determine whether networks have adequately considered non-network options.

In the longer term, TEC considers that the AER should develop a clear, consistent and strong message about the importance of DM by developing a Guideline to this effect. Meanwhile, TEC is seriously considering a rule change request which would require RIT-Ds to be carried out for asset replacements (repex) with a capital cost over \$5 million; to require the capital cost threshold for RIT-Ds to be lowered; and to ensure that RIT-Ds are conducted before large capex projects are included in regulatory proposals. We would like to discuss this regulatory reform proposal with AER staff.

SAPN's demand management strategy (or lack thereof)

SAPN appears to have an antipathy towards DM and other non-network options. This is reflected in the statement on page 20 of the regulatory proposal that 'SA Power Networks is required to build infrastructure to meet the peak demand that occurs for less than 2% of the year.' This is nonsense. SAPN is required to comply with the NEO and the NER, which require it to ensure an adequate level of reliability to meet peak demand. Nowhere do the NEO or the Rules state that building infrastructure is the only or even the preferred way to do this. To invoke the NEO, economic efficiency is the means by which the long term interest of consumers is determined, not adding to networks' regulated asset bases (RABs) to guarantee healthy financial returns on sunk capital for decades to come. This statement is evidence that SAPN continues to have a 'Build, baby, build' culture, and is not seriously interested in alternatives, even where they are more economically efficient – despite it emphasising that 'South Australia is widely recognised as having one of the peakiest' customer load profiles in the world.'¹⁵

¹⁴ See, eg, Essential Energy's revised revenue proposal, pages 145-146.

¹⁵ SAPN Regulatory Proposal Overview, 12; also Proposal, 15, 20, 34, 52 and 115.

DM and other non-network options are legitimate alternatives to augmentation capex spending, which in SAPN's case is proposed to increase by nearly half over the next regulatory period despite projected declines in overall consumption and peak demand. In common with other networks, in the context of declining demand SAPN has justified its higher capex proposals by shifting capex spending (a total of around \$2.5 billion proposed, up over 50%) from demand-related and other augmentation capex (\$884 million proposed) to asset renewal/replacement or repex (\$792 million, nearly double actual spending in the previous period and over 3 times the amount approved by the AER), safety related capex (up an extraordinary 19 times) and new connections (up around 20%).

Shifting capex spending away from demand-related augex limits the scrutiny of networks' consideration of DM and other non-network alternatives to building new infrastructure, since RIT-Ds are not required for repex projects, and there is no obvious non-network alternative to, say, bushfire prevention or vegetation management works. However, this is not the case in the context of proposed demand-related augex spending of \$345 million proposed for 2015-20. Only one single recent example is given of a non-network option being considered as a serious alternative to augex: \$5 million spent on a new third party diesel-fueled peaking power station to defer or avoid the construction of a \$26 million second 33kV line from Keith to Bordertown.

This looks like a great investment that should have prompted serious consideration of DM alternatives to other augex projects in the current regulatory proposal. Still, according to SAPN, non-network alternatives have 'limited' potential to affect forecast capex levels. As evidence, it cites the fact that in the 'performance of preliminary RIT-Ds for those projects in excess of \$5 million, only two have suggested the adoption of a non-network solution may be economically viable' (213). Based on TEC's experience with other networks and the quote above from SAPN, this outcome is more likely to be the result of the limitations of the regulatory process and the network's interest in alternatives, rather than because of any inherent deficiencies in the variety of the non-network solutions available.

TEC does not have the capacity or local knowledge necessary to analyse individual augex proposals. However, we note that 'general growth' is forecast to constitute 29% of demand driven augex, or about \$100 million. Particularly in the context of flat or declining total consumption and peak demand, this spending should be closely scrutinised for the potential for cheaper DM or other non-network solutions.

The bulk of proposed spending in the early years of the next period is for 'Committed augmentation/criteria already breached' (Figure 20:32). We assume that this means that RIT-Ds have already been carried out for these projects where the capital cost is over \$5 million, and non-network options have (not surprisingly) been eliminated in all cases. The bulk of spending in the later years is for 'Strategic (eg land, easements and other)' and 'Demand growth' (Figure 20:32). While some strategic spending is related to greenfields developments, both of these categories are amenable to consideration of DM and other non-network options.

We note, for instance, spending of nearly \$30 million on three substations (Table 20:22) in response to forecast localised demand growth 'where time of peak has already reached 7:00pm (and any future PV will have minimal impact' (217). These situations may be suited to DM solutions such as direct load control (DLC) of airconditioners or battery storage, either small peak-shaving units in households or larger units at substations.

On the other hand, in principle TEC supports the spending of \$10 million for a non-network solution on the Snuggery to Robe line on the assumption that it is the most economically efficient solution, although neither the regulatory proposal nor the 2014 DAPR make it clear what this involves. We also support spending \$92 million to respond to power quality issues and the installation of related telecoms as a result

of the high uptake of PV in SA, although we encourage the AER to determine whether this level of expenditure is warranted.

Despite having the 'peakiest' load profile, SAPN has the poorest approach to DM of any network we have seen in the current round of regulatory proposals. It does not appear to even have a DM strategy in its regulatory proposal. Its 2014 DAPR has a short section on DM activities which refers to

...identifying economically viable opportunities to improve the levels of network security and reliability provided to customers and to reduce the costs of providing standard control services. The technologies investigated range from metering, transformer monitoring, energy storage and direct load control of customer appliances such as air conditioners and to customer based technology such as In Home Displays.
(22)

However, the only future DM projects identified are 'a system limitation on the Fleurieu Peninsula and possible third party generator connection.' (22) In the context of proposed demand related augex spending of \$100 million in 2015-20, this is a completely inadequate response.

As above, in the absence of SAPN setting a DM target itself, it would be appropriate for the AER to apply a capex-opex target to SAPN: that is, a minimum of 5% of total augex. In this case this would result in a reduction in augex revenue to SAPN of about \$17 million – but no loss of revenue at all if SAPN gets its act together and develops a coherent and comprehensive DM strategy.

DMIA

SAPN is asking for \$3.4 million for the DMIA (although table 21.2 of their proposal says \$4.5 mill, the difference being in the base year). This is less than some other networks, and raises the question of whether SAPN is seriously interested in using this money to drive innovation. Whether or not this expenditure would be justifiable as innovative or just a recycling of old projects is impossible to tell, because the regulatory proposal contains no details about how the DMIA is to be spent – let alone the results of past DMIA projects and how the learnings from them have been integrated into the mainstream business. This disinterest is unparalleled among the network revenue proposals TEC has scrutinised.

Without more information, TEC considers that allowing SAPN to spend any money at all under the DMIA is not warranted. This is a great pity, given the numerous statement in the proposal (51, 231, 306, 307) that suggest the network is aware that it is in the midst of a period of profound changes in technology and consumer preferences. Given the noises it has also been making about the possibility of some end-of-line towns going off-grid or being supported by battery storage, we would have thought that SAPN would be vitally interested in using consumers' money to drive innovation so that it remains relevant and viable in the future. For instance, Figure 5.4 of the proposal forecasts that nearly half of the network's customers will have some form of battery storage by 2034. DMIA projects involving the integration of batteries into the network at different scales and locations to either reduce or respond to peak demand would therefore be an obvious place to start.

Kangaroo Island supply

The problems identified in relation to SAPN's approach to DM and other non-network solutions come into sharp focus in the context of its plan for a second undersea cable from the mainland to Kangaroo Island (KI) in anticipation of the failure of the existing 33kV cable, which is nearing the end of its projected lifespan. This proposal, which is costed at \$47 million, forms part of SAPN's replacement capex budget in the regulatory proposal.

TEC accepts the need for a reliable supply to the residents and businesses of KI, and the need for a reliable undersea cable, not only for supply from the mainland but in future for the export of renewable energy into the NEM. However, it does not follow that building a new undersea cable before 2020 is the best use of \$47 million. SAPN does not appear to have seriously considered the option of a combination of renewable energy generation (wind and solar) and either behind-the-meter or grid-scale battery storage to meet localised peak demand of around 7 MW. This option could be provided by several wind turbines utilising the island's abundant wind resource, a 1-2 MW solar farm and 1-2 MWh of battery storage.

The closest SAPN comes to considering this alternative is Option 4 in its Asset Management Plan 2.1.03 (Attachment 20.38 of the regulatory proposal), *Renewable energy sources (non network solution) with no link to mainland (\$92M plus \$14M per year)*. This is a bizarre and appallingly inadequate excuse for a seriously considered option, for these reasons:

1. It calls this option "Renewable energy sources...", yet SAPN's only cost estimates involve extrapolating from the smaller King Island Renewable Energy Integration Project (KIREIP), with no attempt to use local conditions to estimate costs and benefits for KI specifically.
2. Neither is there any attempt to scope the *range* of possible options for a renewable energy supply for KI. The KIREIP includes wind, solar and storage, but is still focused around 6 MW of diesel alongside only 3.2 MW of wind energy and 0.1 MW of solar energy. KI has a world class wind resource, especially on the south and west coasts, and a good solar resource for about 8 months of the year. Remote or 'fringe of grid' locations such as KI are eminently suitable for grid scale battery storage, as other network operators including Ergon and Horizon Power have acknowledged, and are now implementing. In the longer term the strong ocean current flows through Backstairs Passage could also prove to be suitable for energy generation.
3. The cost of supplying the diesel fuel for the KIREIP undoubtedly accounts for most of the purported \$7 million annual operating cost for that project. Even in the unlikely event that current low oil prices continue indefinitely, a close to 100% renewable energy generation and storage system for either island might have annual operating costs in the order of one-tenth of that amount, given the low labour intensity of renewables, especially in the context of emerging sophisticated statcoms.
4. There is no independent advice to support SAPN's assertions that the capex required would be "high and [this option is therefore] not viable". Given SAPN's historical and ongoing bias towards capex expenditure, this assertion cannot be taken at face value.
5. SAPN's purported disadvantages for Option 4 include reduced reliability/security of supply, but this assertion is also not supported by any evidence. Simple logic suggests that a supply that is based on a single undersea cable (once the current one is no longer operable), which could be severed by a single rogue ship anchor or other undersea event or onshore equipment failer (which has apparently happened once with the current cable) is less reliable than one based on a variety of different generation and storage sources, which could well meet an N-1 standard, especially with the existing backup diesel generators.
6. SAPN quotes selectively from stakeholder input into the plan for a second undersea cable, but nowhere discusses stakeholder responses to a seriously developed plan for renewable energy generation and storage on KI (whether or not this would involve a cable connection to the mainland). TEC is aware that there is strong interest in a community renewable energy project for the island. KI Council supported a 2013 funding application to RDA from Island Energy, and is supportive of a long term solution involving a variety of renewable energy sources, storage and microgrids that will enhance the island's reputation as an environmental tourism destination.

Further, while the replacement cable will initially operate at 33kV, we understand it will be rated at 66kV, allowing the potential for up to four times the current maximum energy flow in both directions in future.

We therefore consider that this should not be considered as a repex but as an augex project, and therefore be subject to a rigorous RIT-D process with extensive consideration of non-network options.

Finally, future supply to KI would appear to be an excellent project on which SAPN could spend a considerable amount of its DMIA, as suggested above in relation to battery storage and other potential methods of reducing or supplying peak demand (eg, SMS notifications to KI consumers of critical peak events). Doing so in its revised proposal would be an excellent way for SAPN to show that it is serious about both DM and meeting the future needs of KI consumers.

Conclusion

In regard to DM, the AER has to date sent a message to SAPN that it does not consider DM to be an important part of the 2015-20 revenue proposal. SAPN's proposal reflects this low priority. We therefore urge the AER to counter this message by not approving *any* DMIA spending without more details, and by requiring SAPN to explicitly set out a DM strategy in its revised proposal, including the need to explore capex-opex tradeoffs – preferably including a minimum 5% target for such tradeoffs.

In regard to the proposal to spend \$47 million in repex on a new 33kV undersea cable to KI, TEC recommends that the AER

1. Considers the proposal under SAPN's augex rather than repex budget.
2. Holds over a decision on SAPN's request in its draft determination, pending a more serious consideration of non-network options in the revised revenue proposal.
3. Informs SAPN that approval for a KI cable failure pass-through event will be contingent on the network planning now for short to medium term alternatives to 24/7 diesel generation – ie, local renewable energy generation.
4. Puts SAPN on notice that, if approved in the final determination, its KI Asset Management Plan will be subject to a rigorous RIT-D process involving a much more serious consideration of non-network options than that included with the regulatory proposal.
5. Recommends to SAPN that it should consider KI supply as a highly suitable project for DMIA spending, which need not be limited to \$3 million over 5 years.

Yours sincerely,



Jeff Angel
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