

# **Final Decision**

## **SA Power Networks Electricity Distribution Determination 2025 to 2030 (1 July 2025 to 30 June 2030)**

### **Attachment 10 Service target performance incentive scheme**

**April 2025**

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### **Amendment record**

Version	Date	Pages
1	30 April 2025	7

# List of attachments

This attachment forms part of the Australian Energy Regulator's (AER's) final decision on the distribution determination that will apply to SA Power Networks for the 2025–30 period. It should be read with all other parts of the final decision.

As a number of issues were settled at the draft decision stage or required only minor updates, we have not prepared all attachments. Where an attachment has not been prepared, our draft decision reasons form part of this final decision. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision.

The final decision includes the following attachments:

Overview

Attachment 1 – Annual revenue requirement

Attachment 2 – Regulatory asset base

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 7 – Corporate income tax

**Attachment 10 – Service target performance incentive scheme**

Attachment 13 – Classification of services

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# 10 Service target performance incentive scheme

The National Electricity Rules (NER) set out that our regulatory determination must specify how any applicable service target performance incentive scheme (STPIS) is to apply to a distribution network service provider (DNSP) in the 2025–30 regulatory control period (period).<sup>1</sup> This attachment sets out our final decision on how we will apply the STPIS to SA Power Networks for the 2025–30 period.

## 10.1 Final decision

SA Power Networks accepted our draft decision to apply STPIS version 2.0 for the 2025-30 regulatory control period, including the continued application of the customer service parameter (telephone answering).<sup>2</sup>

Our final decision on the applicable performance targets and incentive rates that will apply to SA Power Networks for the 2025-30 period is contained in Table and Table 10.2. Our consideration of SA Power Networks' proposed performance target adjustments is shown at section 10.2.

Please refer to the AER's STPIS model accompanying this final decision for the performance target calculations.<sup>3</sup>

**Table 10.1 Final decision: SA Power Networks' STPIS performance targets for 2025-30 period**

	CBD	Urban	Short rural	Long Rural	Telephone answering
SAIDI (minutes) <sup>4</sup>	20.2689	95.1206	168.4875	285.7143	N/A
SAIFI (interruptions) <sup>5</sup>	0.1795	0.8711	1.1589	1.4335	N/A
Customer service (%) <sup>6</sup>	N/A	N/A	N/A	N/A	88.26

Source: AER analysis.

<sup>1</sup> NER, clauses 6.3.2 and 6.12.1(9).

<sup>2</sup> SAPN - Attachment 10 - Service target performance incentive scheme - December 2024.

<sup>3</sup> AER, *Final Decision- SAPN 2025-30 - Distribution revenue proposal - STPIS Model*, April 2025.

<sup>4</sup> System Average Interruption Duration Index (SAIDI).

<sup>5</sup> System Average Interruption Frequency Index (SAIFI).

<sup>6</sup> Calls to the fault line answered in 30 seconds. Time to answer a call is measured from when the call enters the call centre telephone system and is answered by a human operator.

**Table 10.2 Final decision: SA Power Networks' STPIS incentive rates for 2025-30 period**

	CBD	Urban	Short rural	Long Rural	Telephone answering
ir - SAIDI	0.0028	0.0316	0.0063	0.0059	N/A
ir - SAIFI	0.2091	2.3008	0.6081	0.7886	N/A
Customer service (%)	N/A	N/A	N/A		-0.0400

Source: AER analysis.

Note: ir is the incentive rate (expressed in a percentage per unit of the parameter).

**Table 10.3 Values of customer reliability (\$/MWh)**

	CBD	Urban	Short rural	Long rural
VCR	34,464	33,392	33,392	33,392

Source: AER, [Values of customer reliability review, final report, December 2024](#), Table 2 Business VCR values and Table 20 NEM-wide and regional VCR. VCR values have been escalated to December 2024 quarter.

## 10.2 Performance target adjustments

Clause 3.2.1(a) of version 2.0 of the STPIS specifies that the performance targets to apply during the regulatory control period must not deteriorate across regulatory years and must be based on the average performance over the past 5 regulatory years, modified by the following:

- exclusions under the scheme<sup>7</sup>
- any reliability improvements completed or planned where the planned reliability improvements are<sup>8</sup>:
  - included in the expenditure program proposed by the network service provider, or
  - proposed by the DNSP, and the cost of the improvements is allowed by the relevant regulator, in the DNSP's previous regulatory proposal or regulatory submission, and
  - expected to result in a material improvement in supply reliability.
- an adjustment to correct for revenue at risk<sup>9</sup>
- any other factors that are expected to materially affect network reliability performance.<sup>10</sup>

The following sets out our consideration of, and final decision on, SA Power Networks' proposed reliability performance target adjustments.

<sup>7</sup> STPIS Version 2.0 clause 3.2.1(a)(1).

<sup>8</sup> STPIS Version 2.0 clause 3.2.1(a)(1A).

<sup>9</sup> STPIS Version 2.0 clause 3.2.1(a)(1B).

<sup>10</sup> STPIS Version 2.0 clause 3.2.1(a)(2).

### 10.2.1 Draft Decision on performance target adjustments

Our draft decision<sup>11</sup> was to set SA Power Networks' performance targets based on average performance over the past 5 regulatory years with modification for:

- reward or penalty exceeding revenue at risk
- the change in the definition of momentary interruption from greater than 1 minute to greater than 3 minutes from 1 July 2020
- reliability improvement projects expenditure (with the exception of the CBD reliability project).

However, we rejected SA Power Networks' proposed performance targets for:

- the expiry of a derogation that exempted SA Power Networks from notifying customers of an interruption where the duration is not more than 15 minutes
- the potential for two fewer major event days due to proposed reliability improvements.

### 10.2.2 Final Decision on performance target adjustments

In accordance with the scheme, our final decision is to set SA Power Networks' performance targets based on average performance over the past 5 regulatory years with modification for:

- reward or penalty exceeding revenue at risk
- the change in the definition of momentary interruption from greater than 1 minute to greater than 3 minutes from 1 July 2020
- reliability improvement projects expenditure, adjusted for our partial (but not full) acceptance of the CBD reliability projects (as outlined in Attachment 5 – Capital Expenditure).

Our reasons for the above adjustments are consistent with our draft decision.

Our final decision is to also modify SA Power Networks' performance target for the expiry of a derogation that exempted SA Power Networks from notifying customers of an interruption where the duration is not more than 15 minutes. Our reasons are explained below.

However, our final decision is to not modify SA Power Networks' performance targets for the potential for two fewer major event days due to proposed reliability improvements. Our reasons are explained below.

We received no stakeholder submissions on the application of the STPIS to SA Power Networks.

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<sup>11</sup> AER - Draft Decision Attachment 10 - Service target performance incentive scheme - SA Power Networks - 2025-30 Distribution revenue proposal - September 2024.

*Adjustment to performance target for expiry of derogation which exempted SA Power Networks from notifying customers of an interruption where the duration is not more than 15 minutes*

In its revised proposal, SA Power Networks again proposed performance target adjustments to account for the expiry on 30 June 2025 of a derogation from the National Energy Retail Rules (NERR).<sup>12</sup>

Under the NERR, distributors are generally required to give written notice at least four business days in advance of the date of the planned interruption.<sup>13</sup>

However, regulation 14(b) (in conjunction with regulation 14(d)) under the *National Energy Retail Law (Local Provisions) Regulations 2013* exempts SA Power Networks from the requirement to provide customers with 4 business days' notice of any planned interruption of under 15 minutes' duration. This derogation came into effect with the introduction of the National Energy Customer Framework (NECF) in South Australia in 2013.

The Department for Energy and Mining (DEM) of the Government of South Australia is currently reviewing the *National Energy Retail Law (Local Provisions) Regulations 2013*. At the timing of writing, DEM advised that the final revised regulations will not be made until after 1 July 2025.

However, in its September 2024 consultation paper, DEM's proposal was to discontinue this derogation by not re-making regulations 14(b) and (d).<sup>14</sup> Further, in its submission to the review, SA Power Networks supported the discontinuation of the derogation post 30 June 2025.<sup>15</sup> Noting these matters, we expect the derogation will be discontinued.

Our reasons for rejecting the performance target adjustments at the draft stage, as set out in our draft decision, was to maintain consistency with our 2020-2025 Final Decision for SA Power Networks in respect of the same issue.

We have explored the issue in more depth with SA Power Networks since it lodged its revised proposal. We now understand that SA Power Networks' long standing approach has been to treat any unplanned interruption, where it was initiated by SA Power Networks and less than 15 minutes in duration, as a planned interruption.

Unplanned outages are included in unplanned System Average Interruption Duration Index (SAIDI), which is used to measure STPIS reliability performance targets. SA Power Networks has confirmed that it did not include unplanned interruptions of less than 15 minutes in duration, which it initiated, in the STPIS performance targets when the STPIS first applied to SAPN in 2010-15, and has not included these interruptions in the STPIS performance targets since that time.

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<sup>12</sup> SA Power Networks, [2025–30 Regulatory Proposal, Attachment 10 - Service Target Performance Incentive Scheme](#), January 2024, p21.

<sup>13</sup> Rule 90 of the National Energy Retail Rules.

<sup>14</sup> [Review of South Australia's National Energy Retail Law \(Local Provisions\) Regulations 2013 Consultation Paper, September 2024](#), p.27.

<sup>15</sup> [SAPN, Submission to Review of South Australia's National Energy Retail Law \(Local Provisions\) Regulations 2013 Consultation Paper, September 2024](#), p 4



We consider that all unplanned interruptions should have been included in the calculation of historical STPIS performance targets, regardless of the existence of the derogation. This is because the derogation appears to relieve SA Power Networks from notice requirements in respect of certain planned interruptions, rather than affecting what is, or is not, an unplanned interruption. Despite this, to now include these unplanned outages would mean a one off step change in the calculation of the 2025-30 performance target compared to previous regulatory periods.

To this end, the AER has decided to make the relevant performance target adjustment proposed by SA Power Networks. After carefully reviewing the underlying methodology applied by SA Power Networks in deriving its proposed adjustment, we are satisfied with its approach.

#### *Adjustment to the performance target for telephone answering customer service component*

Clause 3.2.1(a)(1B) of the STPIS requires that where the past performance of a distributor exceeded its revenue at risk thresholds, its performance targets must be adjusted accordingly.

As outlined above, we have made a performance target adjustment to account for revenue at risk associated with reliability of supply. In addition, in its revised proposal, SA Power Networks proposed an adjustment to account for revenue at risk associated with the telephone response target (customer service component). SA Power Networks' performance in the 2019 to 2024 regulatory period (with the exception of 2020-21) exceeded its revenue at risk reward cap of 0.5% for the customer service component.

We have carefully reviewed SA Power Networks' proposal and underlying methodology<sup>16</sup> and accept its customer service component performance target adjustment.<sup>17</sup>

#### *No performance target adjustment for fewer Major Event Days*

Our draft decision rejected SA Power Networks' proposed STPIS performance target adjustment for expected reliability improvements arising from reliability improvement projects, to account for a possible change in Major Event Days (MED) outcomes.

Using data from the period 1 July 2019 to 30 June 2024 SA Power Networks modelled MED outcomes as if the reliability improvements had been in place. According to SAPN's modelling, two MEDs would no longer have been counted as MEDs and one day that was not counted as an MED would be counted as an MED.

In its revised proposal, SA Power Networks restated its proposal for a performance target adjustment to account for a possible change in MED outcomes. However, our final decision is to again reject SA Power Networks' proposal, for the reasons outlined in our draft decision (discussed again below).

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<sup>16</sup> Annual performance outcomes are reviewed as part of the AER STPIS annual compliance process.

<sup>17</sup> An adjustment to correct for the revenue at risk, that is the sum of the s-factors for all parameters (reliability of supply and customer service), to the extent it does not lie between the upper limit and the lower limit in accordance with clause 2.5(a) of STPIS 2.0.

Performance targets are set in determinations based on a 5-year history of outcomes. When we compare outcomes to the targets, some outages are excluded from the STPIS. Outages may be excluded if they meet the threshold of a MED. The MED threshold is set based on a statistical measure. It is updated every year using a 5-year rolling average based on actual outcomes. If an event exceeds the MED threshold its impact on the performance measures and reward or penalty is excluded.<sup>18</sup>

MEDs are typically associated with adverse weather events that are outside the control of the DNSP. That is why they are excluded from our calculation of the performance measure and reward or penalty. However, longer term future adverse weather events are not predictable, and therefore it is not possible to accurately forecast the number of MEDs.

In accordance with the STPIS, the MED threshold is calculated using historical performance data. Importantly, and crucial to our final decision, to use an alternative method to calculate MEDs, like the predictive modelling approach proposed by SA Power Networks, would be at odds with the requirements of the STPIS. Our final decision is to not allow a performance target adjustment for potentially fewer MEDs associated with implementing reliability improvement projects.

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<sup>18</sup> STPIS Version 2.0 clause 3.2.1(a)(1).

## Shortened forms

Term	Definition
AER	Australian Energy Regulator
capex	capital expenditure
CBD	central business district
CESS	Capital expenditure sharing scheme
CPI	consumer price index
distributor	distribution network service provider
EBSS	Efficiency benefit sharing scheme
GSL	guaranteed service level
ir	incentive rate
MED	major event day
NER	National Electricity Rules
opex	operating expenditure
SAIDI	system average interruption duration index
SAIFI	system average interruption frequency index
SAPN	SA Power Networks
STPIS	Service target performance incentive scheme
VCR	Values of customer reliability