

Final Decision

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

Attachment 16 Alternative control services

April 2025

© Commonwealth of Australia 2025

This work is copyright. In addition to any use permitted under the *Copyright Act 1968* all material contained within this work is provided under a Creative Commons Attributions 4.0 Australia licence with the exception of:

- the Commonwealth Coat of Arms
- the ACCC and AER logos
- any illustration diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright but which may be part of or contained within this publication.

The details of the relevant licence conditions are available on the Creative Commons website as is the full legal code for the CC BY 4.0 AU licence.

Important notice

The information in this publication is for general guidance only. It does not constitute legal or other professional advice. You should seek legal advice or other professional advice in relation to your particular circumstances.

The AER has made every reasonable effort to provide current and accurate information, but it does not warrant or make any guarantees about the accuracy, currency or completeness of information in this publication.

Parties who wish to re-publish or otherwise use the information in this publication should check the information for currency and accuracy prior to publication.

Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Email: aerinquiry@aer.gov.au
Tel: 1300 585 165

AER reference: AER213704

Amendment record

Version	Date	Pages
1	30 April 2025	8

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

Attachment 14 – Control mechanisms

Attachment 16 – Alternative control services

Attachment 18 – Connection policy

Attachment 20 – Metering services

Contents

List of attachmentsiii

16 Alternative control services.....1

 16.1 Ancillary network services 1

 16.2 Public lighting..... 4

Shortened forms.....8

16 Alternative control services

This attachment sets out our final decision on prices SA Power Networks is allowed to charge customers for the provision of the following alternative control services: ancillary network services (ANS) and public lighting.

Alternative control services are customer specific, or customer requested services and so the full cost of the service is attributed to a particular customer, or group of customers, benefiting from the service.

We set service specific prices to provide a reasonable opportunity to the distributor to recover the efficient cost of each service from customers using that service. This is in contrast to standard control services where costs are spread across the general network customer base.

The final decision price lists can be found within the ANS and public lighting pricing models, consistent with our approach in the draft decision. Specifically in:

- Final Decision – SAPN – 15.1.1 – Standardised ANS Model – April 2025 – Public
 - Refer to tabs – ‘Final Decision – Labour’ and ‘Final Decision – Services’
- Final Decision – SAPN – 15.2.1 - Public Lighting Pricing Model – April 2025 – Public.
 - Refer to tab – ‘Final Decision - HID’ and ‘Final Decision – LED’

We also make a final decision on metering, which consistent with the draft decision is classified as a standard control service, in Attachment 20.

16.1 Ancillary network services

Ancillary network services are non-routine services provided to individual customers as requested. Our Framework and Approach (F&A) paper outlines several types of services that meet this broad definition.¹

Ancillary network services are charged to customers on a user-pays approach, and are charged on either a fee or quotation basis, depending on the nature of the service.

We determine price caps for fee-based services for the 2025–30 period as part of our determination, based on the cost inputs and the average time taken to perform each service. These services tend to be homogenous in nature and scope and can be costed in advance of supply with reasonable certainty, such as disconnections and special meter reads.

By comparison, prices for quoted services are based on the quantities of labour and materials required, with the quantities dependent on a particular task. Prices for quoted services are determined at the time of a customer's enquiry and reflect the individual requirements of the customer's service request. For this reason, it is not possible to list

¹ See AER, *Final framework and approach – SA Power Networks 2025-30*, July 2023, p.8. Our F&A paper outlines several types of services that can be considered as meeting this broad definition such as network ancillary services, basic connection services and non-routine metering services.

prices for quoted services in our decision. However, our final decision sets the maximum labour rates to be applied to quoted services.

16.1.1 Final decision

Our final decision does not accept SA Power Networks' proposed prices for ancillary network services in the 2025–30 period, although we consider SA Power Networks' proposal (which accepted our draft decision, with some updates) is largely reasonable. Our final decision makes mechanical updates to our draft decision, such as to account for actual inflation as of December 2024, as we noted we would do at the time of making our draft decision.

16.1.1.1 Fee-based and quoted services

Our final decision does not accept SA Power Networks' revised proposal as submitted. For our final decision we have updated our draft decision and SA Power Networks' revised proposal labour rates and ancillary network service prices by:

- adjusting these labour rates and prices for year one of the 2025–30 period for actual inflation
- substituting SA Power Networks' proposed X factors with our final decision X factors, which reflect our updated labour price growth forecasts (see our final decision ANS model).

We also do not accept SA Power Networks' proposal to introduce an 'EV charging of Last Resort' service as an ancillary network service, and specifically a quoted service. This is because we do not accept the proposal to classify this service as an alternative control service. We discuss our reasons for this decision in Attachment 13 – Classification of services.

16.1.1.2 Form of control for ancillary network services and X factors

Our final decision is to maintain our final F&A position to apply price caps to ancillary network services as the form of control.

Under a price cap form of control, we set a schedule of price caps for fee-based services and maximum labour rates for quoted services for the first year of the regulatory control period, 2025–26. For each year thereafter, we adjust the price caps and maximum labour rates for inflation, the X factor², and any relevant adjustments. This mechanism is set out in greater detail in section 14.5.2 of Attachment 14 – Control mechanisms.

As ancillary network services have a high share of labour and labour-related inputs, we use labour price growth forecasts as the ancillary network services X factor. Consistent with our previous decisions, we derived the X factor by averaging wage price index growth forecasts from Deloitte (provided by the AER) and BIS Oxford Economics (provided by the distributor).³

² Under the CPI–X framework, the X factor can be a measure of the real rate of change in prices from one year to the next. For ancillary network services, the X factor is the change in wage prices given that labour is the primary cost input for providing these services.

³ For more detail on the reasons for this decision, see the discussion in section 6.4.2 of Attachment 6 – *Final Decision Attachment 6 - Operating expenditure - Ergon Energy - 2025-30 Distribution revenue proposal - April 2025*.

Our final decision X factors for ancillary network services are set out in our final decision ANS model. As noted above, they reflect our updated labour price growth forecasts.

16.1.2 SA Power Networks’ revised proposal

In its revised proposal SA Power Networks accepted our draft decision labour rates and prices for its fee-based services. SA Power Networks updated its labour price growth forecasts in its ANS model which it stated resulted in minor reductions from our draft decision price.⁴

SA Power Networks submitted a request to amend the final F&A paper to allow it to offer an ‘EV charging of last resort’ service as a quoted alternative control service.⁵ It stated this service would be predominantly focused on the delivery of kerbside EV charging, where a charger cannot be efficiently supplied by the competitive market.⁶ Further detail on SA Power Network’s proposal can be found in Attachment 13 – Classification of services.

16.1.3 Assessment approach

The regulatory framework for assessing alternative control services is less prescriptive than for standard control services. That is, there is no requirement to apply the building block model exactly as prescribed in Part C of the National Electricity Rules (NER).

On this basis, our approach involves an assessment of the efficient costs of providing ancillary network services. Labour costs are the major input in the cost build-up of prices for ancillary network services. Therefore, our assessment largely focuses on comparing SA Power Networks’ proposed labour rates against maximum total labour rates which we consider efficient.

Where SA Power Networks’ proposed labour rates exceed our maximum efficient labour rates, we apply our maximum efficient labour rates to determine prices. We follow this assessment process for services provided on a fee or quotation basis.

We also consider relevant stakeholder feedback raised throughout the consultation process and benchmark SA Power Networks proposed ancillary network services prices against its prices for the 2020–25 period and the prices of other distributors.

Where necessary we seek further information from SA Power Networks to reconcile particular cost drivers and often benchmark these against other distributors.

We also make further adjustments to SA Power Networks’ ancillary network services prices where we consider it appropriate to do so.

16.1.4 Reasons for final decision

16.1.4.1 Fee-based, quoted services and form of control

As set out in section 16.1.1, we do not accept SA Power Network’s revised proposal as submitted. We have updated the draft decision labour rates and prices for year one of the

⁴ SA Power Networks, *2025-30 Revised Regulatory Proposal Overview*, December 2024, p. 34.

⁵ SA Power Networks, *2025-30 Revised Regulatory Proposal Overview*, December 2024, p. 32.

⁶ SA Power Networks, *Attachment 13 – Classification of services*, December 2024, p. 15.

2025–30 period for actual inflation. These are mechanical updates to ensure the correct \$2025-26 basis and for consistency with other aspects of our decision. We have also updated the X factors to reflect the updated and most recent labour price growth forecasts (from the AER’s consultant Deloitte and SA Power Network’s consultant BIS Oxford). These updates have led to minor reductions compared to our draft decision, and SA Power Networks’ revised proposal for most labour rates, prices and X factors. For example, in the final decision compared to the draft decision we see a nominal decrease of 0.32% across SA Power Network’s prices for fee-based services.

16.1.4.2 EV charging of last resort

Our final decision is to not accept SA Power Networks’ proposal to introduce an ‘EV charging of last resort’ as a quoted alternative control service.

This is because we do not accept the proposal to classify this service as an alternative control service. This decision and our reasons are set out in Attachment 13 – Classification of Services.

16.2 Public lighting

Public lighting services include the provision, construction and maintenance of public lighting assets. This definition includes new technologies such as energy-efficient light emitting diode (LED) luminaires and emerging public lighting technologies such as smart-enabled luminaires.⁷

The main customers of public lighting services are local government councils and jurisdictional main roads departments.

There are a number of different tariff classes and prices for public lighting services. Factors influencing prices for a particular installation include which party is responsible for capital provision, and which party is responsible for maintaining and/or replacing installations.

16.2.1 Final decision

Our final decision is to not accept SA Power Networks’ proposed prices for public lighting services in the 2025-30 period. However, we consider SA Power Networks’ public lighting proposal, which accepts in principle our draft decision while making some updates, is largely reasonable. Our final decision makes mechanical updates to our draft decision and SA Power Networks’ revised proposal, such as to account for actual inflation as of December 2024, as we noted we would do at the time of making our draft decision.

We have updated our draft decision, and SA Power Networks’ revised proposal, to apply our final decision inputs on labour price growth, the weighted average cost of capital (WACC) and inflation / consumer price index (CPI). These are updated, amongst other reasons, for consistency with other aspects of our final decision on SA Power Networks’ regulatory proposal (see section 16.2.4.1 where these updates are outlined). We applied these updated inputs into the public lighting models, resulting in minor adjustments to our draft decision and SA Power Networks’ proposed prices for public lighting services.

⁷ AER, *Final Framework and Approach – SA Power Networks 2025-30*, July 2023, p. 38.

Our final decision on public lighting prices for 2025–26 and X factors are set out in the final decision public lighting model.⁸ The X factors are used to adjust prices annually for years 2 to 5 of the 2025–30 period. The final decision prices for 2025–26 are on average:⁹

- for high intensity discharge (HID) prices, 0.73% higher than the draft decision, and 0.11% higher than SA Power Networks' revised proposal, and
- for LED prices, 1.05% higher than the draft decision, and 0.22% higher than SA Power Networks' revised proposal.

For subsequent years, the X factor has been set at 0% and prices are updated by CPI following the control mechanism formula.¹⁰

16.2.2 SA Power Networks' revised proposal

SA Power Networks accepted our draft decision for public lighting in principle, with a few minor / mechanical adjustments.

SA Power Networks made the following updates in its public lighting models:¹¹

- updated its labour escalators (received from BIS Oxford Economics)
- updated its 2023–24 public lighting capital expenditure from forecast to actuals
- updated the WACC across all its public lighting models.

SA Power Networks discussed these amendments in its public lighting forum in October 2024 and its revised proposal noted it received broad support from stakeholders.¹²

16.2.3 Assessment approach

To determine efficient prices for SA Power Networks' public lighting services we assess its public lighting models, consider historical data, and benchmark proposed costs against other distributors, and against independent data and information as relevant. Specifically, we assess proposed labour price growth rates, other input assumptions and stakeholder submissions.

We also engage SA Power Networks through information requests to clarify and potentially resolve outstanding issues.

We update model parameters where appropriate after taking the factors described above into consideration.

⁸ AER, *AER Final Decision – SAPN – 15.2.1 – Public Lighting Pricing Model – April 2025 – Public*, Tables 1 and 2 under excel tabs 'Final Decision – HID' and 'Final Decision – LED'

⁹ The prices are determined by a price cap control mechanism that adjusts prices for inflation, an X factor and any relevant adjustments.

¹⁰ SA Power Networks, *2025–30 Regulatory Proposal, Attachment 15 Alternative Control Services*, January 2024, p. 27.

¹¹ SA Power Networks, *2025–30 Revised Regulatory Proposal Overview*, December 2024, p. 34.

¹² SA Power Networks, *2025–30 Revised Regulatory Proposal Overview*, December 2024, p. 34.

16.2.4 Reasons for final decision

Our final decision is to not accept SA Power Networks' revised proposal for public lighting. While we accept most aspects of SA Power Networks' public lighting revised proposal, which accepted our draft decision in principle, we have updated the labour price growth escalators, the rate of return and inflation inputs. These update its revised proposal prices to maintain consistency with other aspects of the final decision on SA Power Networks' revised proposal.

16.2.4.1 Labour escalators, WACC and CPI

We updated the following inputs into SA Power Networks' public lighting model. These updates are consistent with our final decision on other relevant aspects of SA Power Networks' revised regulatory proposal.

Labour rates

Our final decision substitutes the labour escalators in SA Power Networks' revised proposal public lighting model with those consistent with our final decision on SA Power Networks' opex (see Attachment 6).

Rate of Return

Our final decision substitutes the rate of return (WACC) inputs in SA Power Networks' revised proposal public lighting model to be consistent with our final decision on SA Power Networks' rate of return (see Attachment 3).

Inflation

Our final decision substitutes the forecast inflation input for the 2025–26 year in SA Power Networks' revised proposal public lighting model with the RBA actual inflation for December 2024.¹³ This is consistent with our final decision on SA Power Networks' control mechanisms (see Attachment 14).

16.2.4.2 Introducing new services during a regulatory control period

Our final decision, consistent with our draft decision, is that SA Power Networks must price any new public lighting services it introduces during the 2025–30 period according to the control mechanism for quoted services. SA Power Networks should only introduce new services because customers want them (i.e. they should be customer driven). In proposing new services, we require that SA Power Networks demonstrates customer support for such prices and services. This applies to SA Power Networks' proposal to introduce smart lighting as a quoted service for the 2025–30 period.

We consider this is consistent with our previous distribution determinations. We stated new alternative control services introduced during a regulatory control period with characteristics that are the same or essentially the same as other alternative control services should be priced as a quoted service until the next regulatory control period (see Attachment 14 section 14.5.3).

It is worth considering that quoted services generally apply to one-off services. The control mechanism poses no administrative issues where, for example, a council agrees to pay for

¹³ <https://www.rba.gov.au/publications/smp/2025/feb/>

the installation of new technologies up-front. However, some councils may prefer to pay for new technologies over their economic or useful life. We consider this is possible under the control mechanism for quoted services. This could involve determining the up-front costs based on the control mechanism formula as a first step. The distributor would then calculate an annual fee using a method appropriate to the service. We consider a building block approach using SA Power Networks' public lighting model is reasonable for this purpose.

Further information about quoted services and introducing new prices within the 2025–30 period is set out in see Attachment 14 section 14.5.3.

Shortened forms

Term	Definition
ACS	Alternative Control Services
AER	Australian Energy Regulator
ANS	Ancillary network services
Capex	Capital Expenditure
CPI	Consumer Price Index
Distributor	Distribution Network Service Provider
F&A	Framework and Approach
LED	Light Emitting Diode
NER or the rules	National Electricity Rules
Opex	Operating expenditure
PTRM	Post-Tax Revenue Model
RAB	Regulatory Asset Base
RBA	Reserve Bank of Australia
RIN	Regulatory Information Notice
SAPN	South Australia Power Networks
SCS	Standard Control Services
WACC	Weighted Average Cost of Capital