Final Decision

SA Power Networks Electricity Distribution Determination 2025 to 2030

(1 July 2025 to 30 June 2030)

Attachment 2
Regulatory asset base

April 2025

AUSTRALIAN ENERGY REGULATOR

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Version	Date	Pages
1	30 April 2025	12

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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2 Regulatory asset base

Our distribution determination includes SA Power Networks' opening regulatory asset base (RAB) value as at 1 July 2025 and the projected RAB value for the 2025–30 regulatory control period (period).[1] The value of the RAB substantially impacts SA Power Networks' revenue requirement, and the price consumers ultimately pay. Other things being equal, a higher RAB would increase both the return on capital and return of capital (depreciation) components of the distribution determination.[2] This final decision sets out:

- the opening RAB value as at 1 July 2025
- the forecast closing RAB value as at 30 June 2030
- that depreciation based on forecast capital expenditure (capex) is to be used for establishing the RAB as at the commencement of the 2030–35 period.[3]

2.1 Final decision

2.1.1 Opening RAB as at 1 July 2025

Our final decision is to determine an opening RAB value of $5,209.6 million ($ nominal) as at 1 July 2025 for SA Power Networks. This amount is $30.3 million (0.6%) lower than SA Power Networks' revised proposed opening RAB value of $5,239.9 million ($ nominal) as at 1 July 2025.[4] It reflects our update to the roll forward model (RFM) for actual consumer price index (CPI) for 2024–25. This final decision is $7.9 million (0.2%) higher than our draft decision value for SA Power Networks' opening RAB of $5,201.7 million ($ nominal).[5]

To determine the opening RAB value as at 1 July 2025, we have rolled forward the RAB over the 2020–25 period to arrive at a closing RAB value at 30 June 2025 in accordance with our RFM. [6] This roll forward includes an adjustment at the end of the 2020–25 period to account for the difference between actual 2019–20 capex and the estimate approved in the 2020–25 determination.[7]

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1 National Electricity Rules (NER), cl. 6.12.1(6).

2 The size of the RAB also impacts the benchmark debt raising cost allowance. However, this amount is usually relatively small and therefore not a significant determinant of revenues overall.

3 NER, cl. 6.12.1(18).

4 SA Power Networks, *2.1 - Roll Forward Model*, December 2024.

5 This increase is mainly driven by the updates to the capex for 2024–25 to reflect latest estimates, which has resulted in an increase to the opening RAB value by about $34.6 million (0.7%) compared to the draft decision, all else being equal. SA Power Networks also updated its estimates of 2023–24 capex to reflect actual values, which has resulted in an increase to the opening RAB value by about $3.5 million (0.1%) compared to the draft decision, all else being equal. These increases are largely offset by the update for the actual CPI of 2.42% for 2024–25 in this final decision, which is lower than the estimated rate of 3.00% applied in our draft decision.

6 AER, *Electricity distribution network service providers: Roll forward model (version 3.1)*, May 2022.

7 The end of period adjustment will be positive (negative) if actual capex is higher (lower) than the estimate approved at the 2020–25 determination. See NER, cl. S6.2.1(e)(3).

Table 2.1 sets out our final decision on the roll forward of SA Power Networks' RAB over the 2020–25 period.

Table 2.1 AER's final decision on SA Power Networks' RAB for the 2020–25 period ($ million, nominal)

	2020–21	2021–22	2022–23	2023–24	2024–25[a]
Opening RAB	4,361.0	4,393.2	4,546.9	4,947.0	5,154.2
Net capex[b]	317.0	334.9	399.3	393.1	423.3
Inflation on opening RAB	37.5	153.7	356.1	200.5	125.0
Less: straight-line depreciation[c]	322.3	334.9	355.3	386.2	392.0
Interim closing RAB	4,393.2	4,546.9	4,947.0	5,154.2	5,310.5
Difference between estimated and actual capex in 2019–20	-	-	-	-	–75.2
Return on difference for 2019–20 capex	-	-	-	-	–25.7
Closing RAB as at 30 June 2025	-	-	-	-	**5,209.6**

Source: AER analysis.

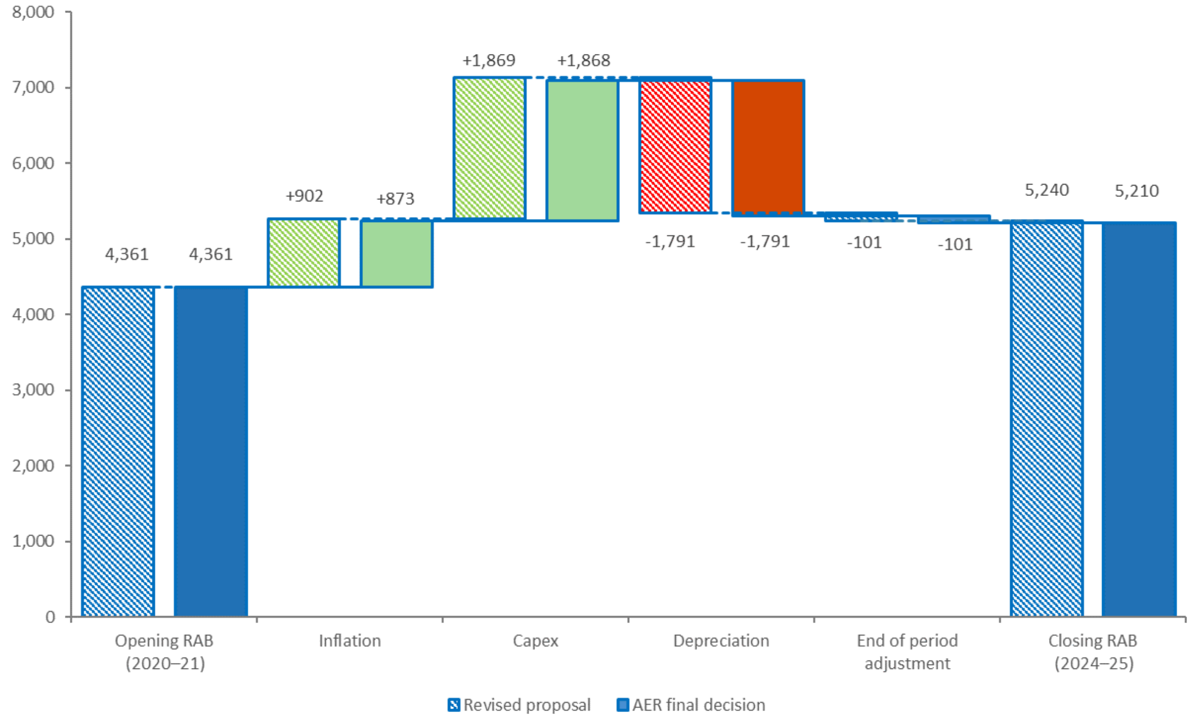
(a) Based on estimated capex provided by SA Power Networks. We will true-up the RAB for actual capex at the next distribution determination.

(b) Net of disposals and capital contributions, and adjusted for actual CPI and half-year weighted average cost of capital (WACC).

(c) Adjusted for actual CPI. Based on forecast capex.

Figure 2.1 shows the key drivers of change in SA Power Networks' RAB value over the 2020–25 period for this final decision. Overall, the closing RAB value at the end of the 2020–25 period is estimated to be 19% higher than the opening RAB at the start of that period, in nominal terms. The new net capex increases the RAB by 43%, while inflation indexation increases it by 20%. Depreciation, on the other hand, reduces the RAB by 41%. End of period adjustments reduce the RAB by 2%.

Figure 2.1 Key drivers of change in the RAB over the 2020–25 period – SA Power Networks' revised proposal compared with the AER's final decision ($ million, nominal)



Source: AER analysis.
Note: Capex is net of disposals and capital contributions. It is inclusive of the half-year WACC to account for the timing assumptions in the RFM.

In the draft decision, we reduced SA Power Networks' proposed opening RAB value as at 1 July 2025 by $21.2 million (0.4%). This reduction was largely due to the updates we made to the CPI inputs for 2023–24 and 2024–25 in the RFM to reflect more up-to-date values. We also amended the following inputs in the RFM for determining the opening RAB value: [8]

- We updated the nominal vanilla WACC for 2024–25 and forecast straight-line depreciation inputs to reflect the 2024–25 return on debt update in the post-tax revenue model (PTRM) for the 2020–25 period. These updates were also required to reflect our revocation and substitution determination of SA Power Networks' 2020–25 distribution determination.
- We updated 2020–23 capex, disposals and capital contributions inputs to be consistent with the annual reporting Regulatory Information Notices (RINs) for these years.

We also noted in the draft decision that the roll forward of SA Power Networks' RAB included estimated capex for 2023–24 and 2024–25, and estimated inflation for 2024–25, because the actual values for these inputs were not yet available at the time.[9]

[8] AER, *Draft decision: SA Power Networks distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2024, pp. 1–2.

[9] AER, *Draft decision: SA Power Networks distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2024, pp. 1 and 3.

In its revised proposal, SA Power Networks' adopted all changes made in our draft decision. In addition, SA Power Networks' updated the following inputs in its revised proposed RFM:[10]

- the estimated capex for 2023–24 with actuals
- the estimated capex for 2024–25 with revised estimates.

For this final decision, we have checked the actual capex inputs for 2023–24 in SA Power Networks' revised proposed RFM. We are satisfied that these capex inputs reconcile with the values presented in SA Power Networks' annual reporting RIN for 2023–24.

We also accept SA Power Networks' revised 2024–25 net capex estimates of $423.3 million ($ nominal) for this final decision.[11] This is $33.5 million (8.6%) higher than the amount included in the draft decision RFM, reflecting more recent data. We note that the financial impact of any difference between actual and estimated capex for 2024–25 will be accounted for at the next distribution determination for the 2030–35 period.

We received no submissions on our approach to calculating the opening RAB. Our position in the final decision is limited to updates for more recent data in the RFM. This includes updating the 2024–25 estimated inflation input of 3.00% with actual CPI of 2.42% based on the December 2024 CPI from the Australian Bureau of Statistics, which became available after SA Power Networks submitted its revised proposal.

2.1.2 Ex post review of 2018–23 capex

We consider the extent to which our roll forward of the RAB to 1 July 2025 contributes to the achievement of the capex incentive objective.[12] The review period of past capex for this distribution determination is over 2018–19 to 2022–23.[13] As discussed in the draft decision, SA Power Networks' total actual capex incurred from 2018–19 to 2022–23 is below the forecast allowance set at the previous relevant distribution determinations and, therefore, the overspending requirement for an efficiency review of past capex is not satisfied.[14]

For this final decision, we have included SA Power Networks' actual capex for 2023–24 and estimated capex for 2024–25 in the RAB roll forward to 1 July 2025. At the next distribution determination, the actual capex for 2023–24 and 2024–25 will form part of the review period for whether past capex should be excluded for inefficiency reasons.[15] Our RAB roll forward applies the incentive framework approved in the previous distribution determination, which included the use of a forecast depreciation approach in combination with the application of

10 SA Power Networks, *2.1 - Roll Forward Model*, December 2024.

11 This amount is net of disposals and capital contributions, and includes a half-year WACC allowance to compensate for the six-month period before capex is added to the RAB. It reflects the updated actual inflation rate for 2024–25 in our final decision.

12 NER, cll. 6.12.2(b) and 6.4A(a).

13 NER, cl. S6.2.2A(a1).

14 NER, cl. S6.2.2A(c); AER, *Draft decision: SA Power Networks distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2024, pp. 13–14.

15 Here, 'inefficiency' of past capex refers to three specific assessments (labelled the overspending, margin and capitalisation requirements) detailed in NER, cl. S6.2.2A. The details of our ex-post assessment approach for capex are set out in AER, *Capital expenditure incentive guideline*, April 2023, pp. 12–19.

the capital expenditure sharing scheme (CESS).[16] As such, we consider that the 2020–25 RAB roll forward contributes to an opening RAB (as at 1 July 2025) that includes capex that reflects prudent and efficient costs, in accordance with the capex criteria.[17]

2.1.3 Forecast closing RAB as at 30 June 2030

Once we have determined the opening RAB value as at 1 July 2025, we roll forward that value by adding forecast capex and inflation, and reducing it by depreciation to arrive at a forecast closing value for the RAB as at the end of the 2025–30 period.[18]

For this final decision, we determine a forecast closing RAB value at 30 June 2030 of $6,435.3 million ($ nominal) for SA Power Networks. This is $152.0 million (2.3%) lower than SA Power Networks' revised proposal of $6,587.3 million ($ nominal). This is mainly due to a lower forecast capex and expected inflation rate applied in our final decision compared to SA Power Networks' revised proposal (Attachment 5 and section 2.2 of the Overview to this final decision). Our final decision on the forecast closing RAB also reflects the amended opening RAB as at 1 July 2025, and our final decision on forecast depreciation (Attachment 4).[19]

Table 2.2 sets out our final decision on the forecast RAB for SA Power Networks over the 2025–30 period.

Table 2.2 AER's final decision on SA Power Networks' RAB for the 2025–30 period ($ million, nominal)

	2025–26	2026–27	2027–28	2028–29	2029–30
Opening RAB	5,209.6	5,420.0	5,636.3	5,874.4	6,142.3
Net capex[a]	480.2	497.2	512.2	488.3	509.4
Inflation on opening RAB	141.7	147.4	153.3	159.8	167.1
Less: straight-line depreciation	411.5	428.3	427.3	380.1	383.5
Closing RAB	**5,420.0**	**5,636.3**	**5,874.4**	**6,142.3**	**6,435.3**

Source: AER analysis.

(a) Net of forecast disposals and capital contributions. In accordance with the timing assumptions of the PTRM, the capex includes a half-year WACC allowance to compensate for the six-month period before capex is added to the RAB for revenue modelling.

Figure 2.2 shows the key drivers of change in SA Power Networks' RAB value over the 2025–30 period for this final decision. Overall, the closing RAB value at the end of the 2025–30 period is forecast to be 24% higher than the opening RAB value at the start of that period, in nominal terms. The approved forecast net capex increases the RAB value by 48%, while

16 AER, *Final decision: SA Power Networks distribution determination 2020–25 – Attachment 2 – Regulatory asset base*, June 2020, pp. 8–9.

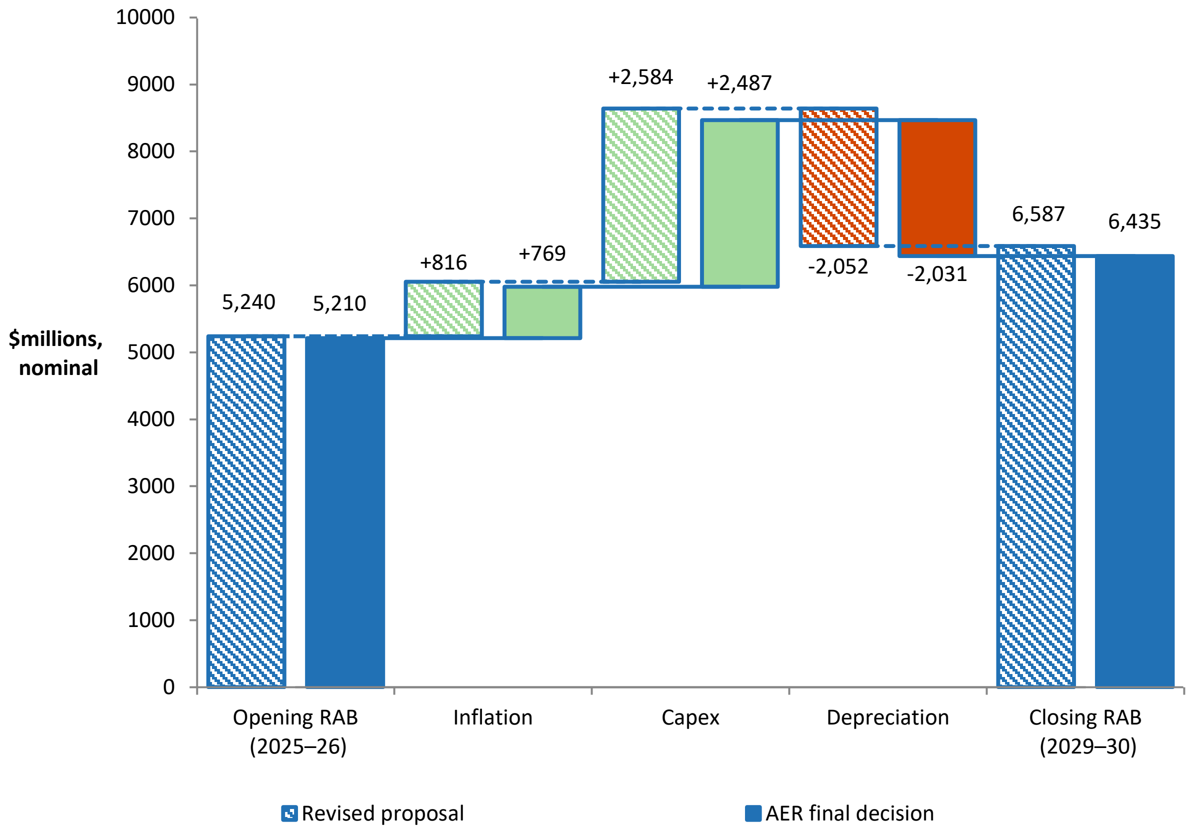
17 NER, cll. 6.4A(a), 6.5.7(a), 6.5.7(c) and 6.12.2(b).

18 NER, cl. S6.2.3.

19 Capex enters the RAB net of forecast disposals. It includes equity raising costs (where relevant) and the half-year WACC to account for the timing assumptions in the post-tax revenue model (PTRM). Therefore, our final decision on the forecast RAB also reflects our amendments to the rate of return for the 2025–30 period (section 2.2 of the Overview to this final decision).

expected inflation increases it by 15%. Forecast depreciation, on the other hand, reduces the RAB value by 39%.

Figure 2.2 Key drivers of changes in the RAB over the 2025–30 period – SA Power Networks' revised proposal compared with the AER's final decision ($ million, nominal)



Source: AER analysis.
Note: Capex is net of forecast disposals and capital contributions. It is inclusive of the half-year WACC to account for the timing assumptions in the PTRM.

Forecast net capex is a significant driver of the increase in the RAB. In our final decision, we approve $2,257.2 million[20] ($2024–25) forecast net capex for SA Power Networks over the 2025–30 period. This amount is 3.4% lower than SA Power Networks' revised proposal of $2,337.7 million. We are satisfied that this reduced amount reasonably reflects the capex criteria. Refer to Attachment 5 for the discussion on forecast capex.

2.1.4 Application of depreciation approach in RAB roll forward for the next distribution determination

When we roll forward SA Power Networks' RAB for the 2025–30 period at the next distribution determination, we must adjust for depreciation. For this final decision, we determine that the depreciation approach to be applied to establish SA Power Networks' opening RAB at the commencement of the 2030–35 period will be based on the depreciation

[20] This amount is net of forecast disposals and capital contributions, and excludes the half-year WACC adjustment.

schedules (straight-line) using forecast capex at the asset class level approved for the 2025–30 period.[21] This approach is consistent with our draft decision.[22] Further, this approach is consistent with our *Framework and approach*.[23] SA Power Networks' revised proposal did not raise any issues with this approach.

As discussed in section 3 of the Overview to this final decision, we will also apply the CESS to SA Power Networks for the 2025–30 period. We consider that the CESS will provide sufficient incentives for SA Power Networks to achieve capex efficiency gains over that period. We are satisfied that the use of a forecast depreciation approach in combination with the application of the CESS and our other ex post capex measures are sufficient to achieve the capex incentive objective.[24]

2.2 Assessment approach

We did not change our assessment approach for the RAB from our draft decision. Attachment 2 (section 2.3) of our draft decision details that approach.[25]

21 NER, cl. 6.12.1(18).

22 AER, *Draft decision: SA Power Networks distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2024, pp. 15–16.

23 AER, *Framework and approach papers–SA Power Networks, Regulatory control period commencing 1 July 2025*, July 2023, p. 25.

24 Our ex-post capex measures are set out in the capital expenditure incentive guideline. This guideline also sets out how all our capex incentive measures are consistent with the capex incentive objective; AER, *Capital expenditure incentive guideline for electricity network service providers*, April 2023, pp. 12–21.

25 AER, *Draft decision: SA Power Networks distribution determination 2025–30 – Attachment 2 – Regulatory asset base*, September 2024, pp. 6–10.

Shortened forms

Term	Definition
AER	Australian Energy Regulator
capex	capital expenditure
CESS	capital expenditure sharing scheme
CPI	Consumer Price Index
NER	National Electricity Rules
PTRM	post-tax revenue model
RAB	regulatory asset base
RFM	roll forward model
RIN	regulatory information notice
WACC	weighted average cost of capital