

# ElectraNet 2023–28 Electricity Transmission Revenue Proposal

# AER welcome and introductions

Warwick Anderson

# Agenda

Time (ACDT)	Item
11:30 – 11:35	AER welcome and introductions
11:35 – 11:55	AER
11:55 – 12:25	Consumer Challenge Panel (CCP25)
12:25 – 12:45	Mark Henley and Peter Eben, authors of the independent consumer engagement report
12:45 – 13:05	ElectraNet
13:05 – 13:25	Questions and answers session
13:25 – 13:30	AER next steps and closing

# About this process

- AER exists to ensure energy consumers are better off, now and in future.
  - We regulate electricity networks in all jurisdictions, except WA.
  - Our primary role is in setting the maximum revenue that network businesses can recover from users of their networks.
  - Our goal is to make decisions that ensure consumers pay no more than necessary for safe and reliable energy.
- Regulated electricity network businesses must periodically apply to the AER to assess their revenue requirements (typically every five years).
  - ElectraNet is one of seven electricity transmission businesses that the AER regulates by determining revenues over a five-year period.

# AER overview of ElectraNet's revenue proposal

Eric Groom

# Context: where does this proposal fit in the bigger picture?

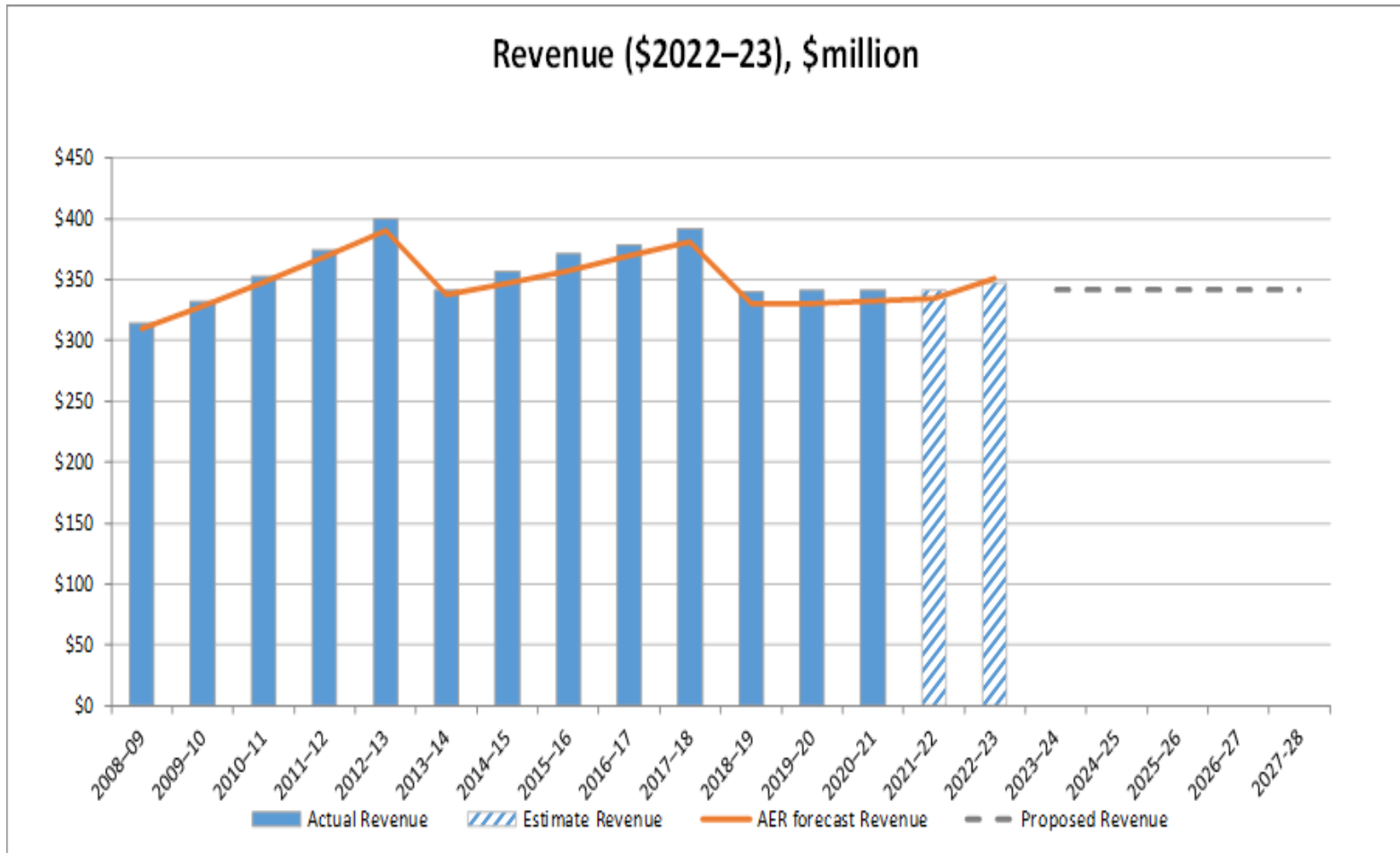
- Revenue allowance forms the major component of ElectraNet's transmission charges for the 5-year period.
  - Currently at the start of a 15 month process
  - Expected outcomes can change between now and final decision:
    - If we do not accept elements of the proposal
    - As a result of updates to market variables.
  - So revenue and bill impacts discussed today are indicative only.
- Revenue can also change during the 5-year period:
  - Contingent projects
  - Actionable ISP projects
  - Cost pass through events
- So the proposal should be considered in that context.

# Delivering improved outcomes for consumers - consumer engagement

Seed Advisory report:

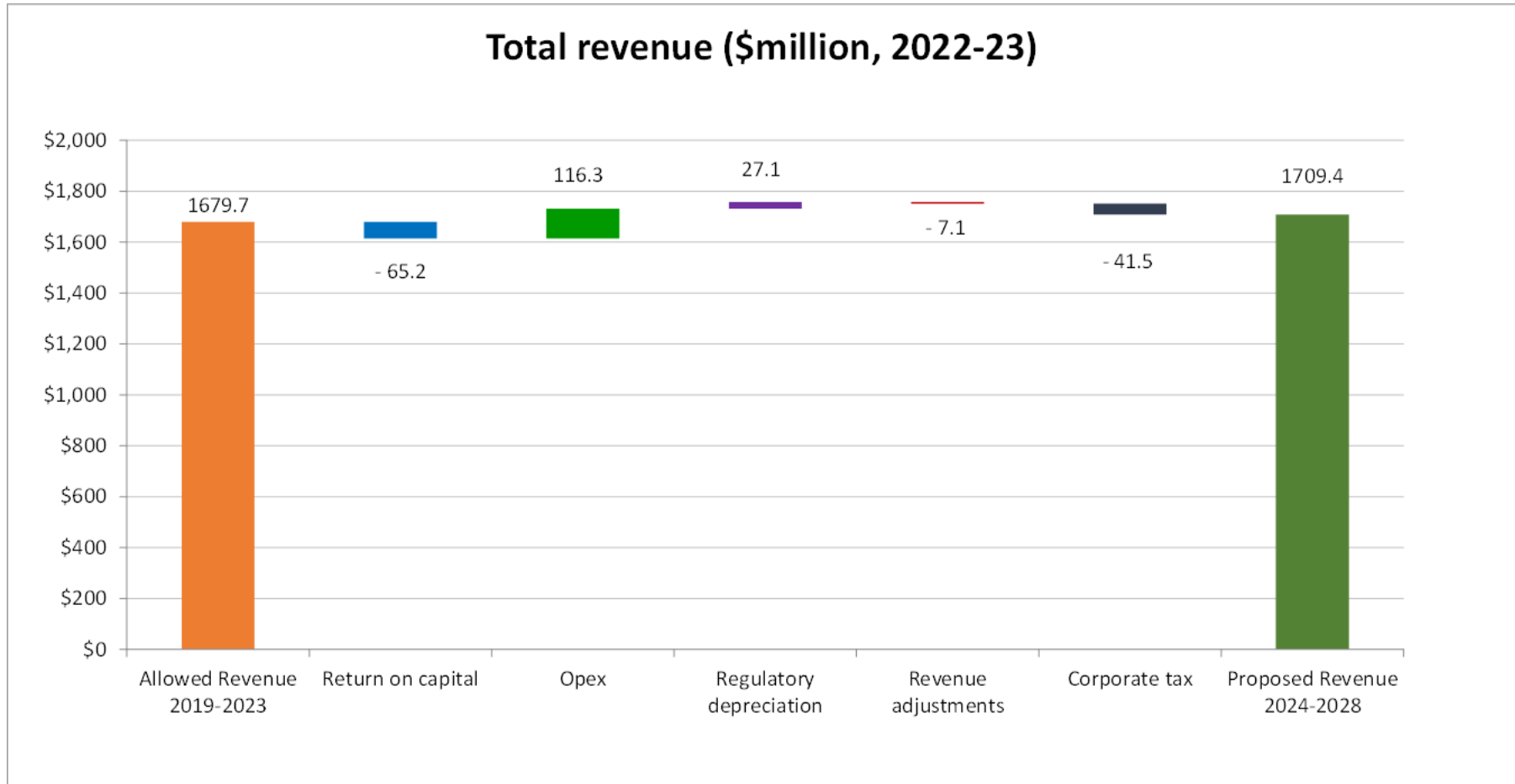
*“[ElectraNet’s] revenue proposal does not contain any surprises and is also regarded as ‘capable of support’ by the CAP. This is obviously pending the upcoming AER review.”*

# Changes in regulated revenue over time

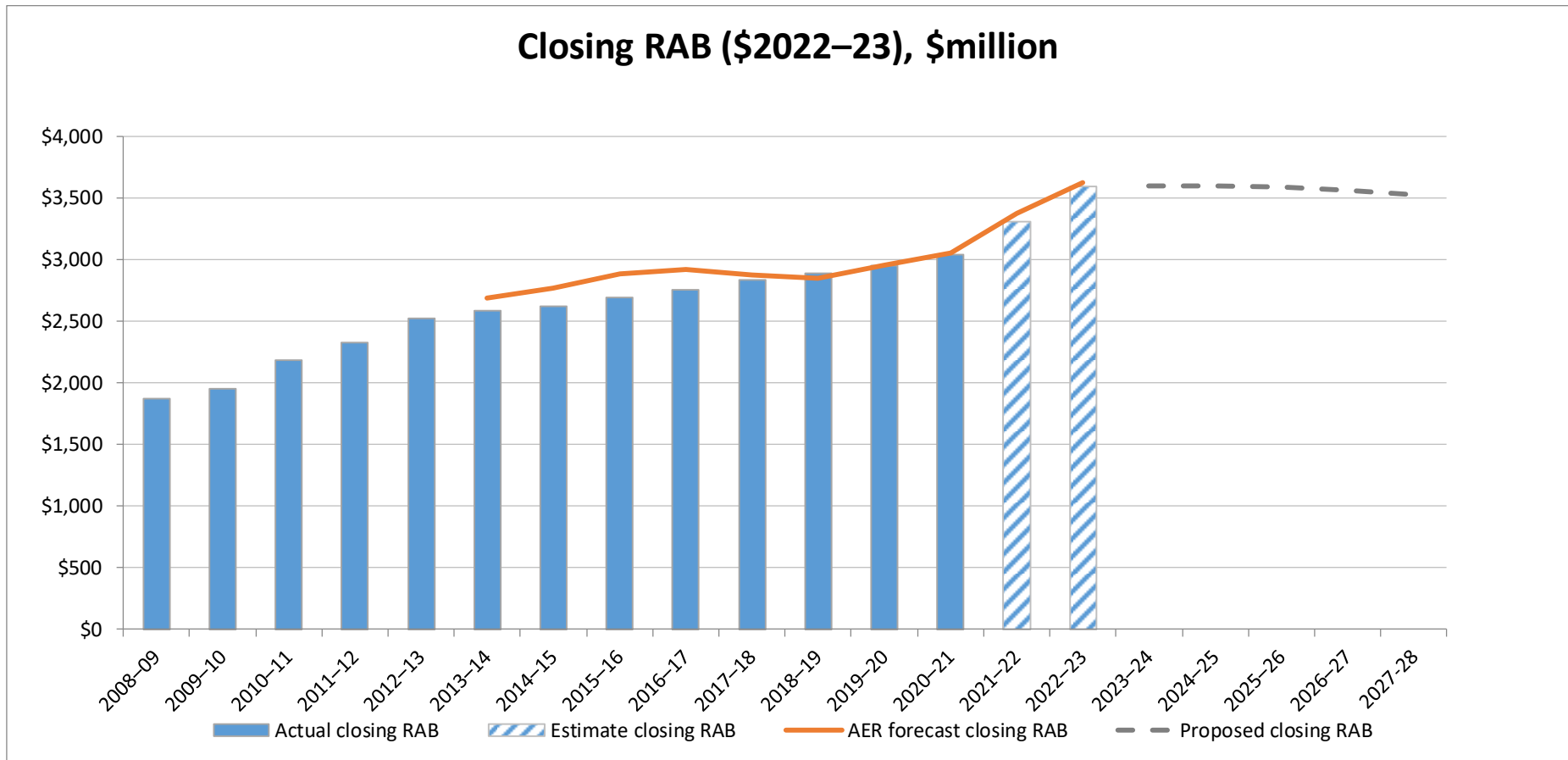




# What's driving the change in revenue?

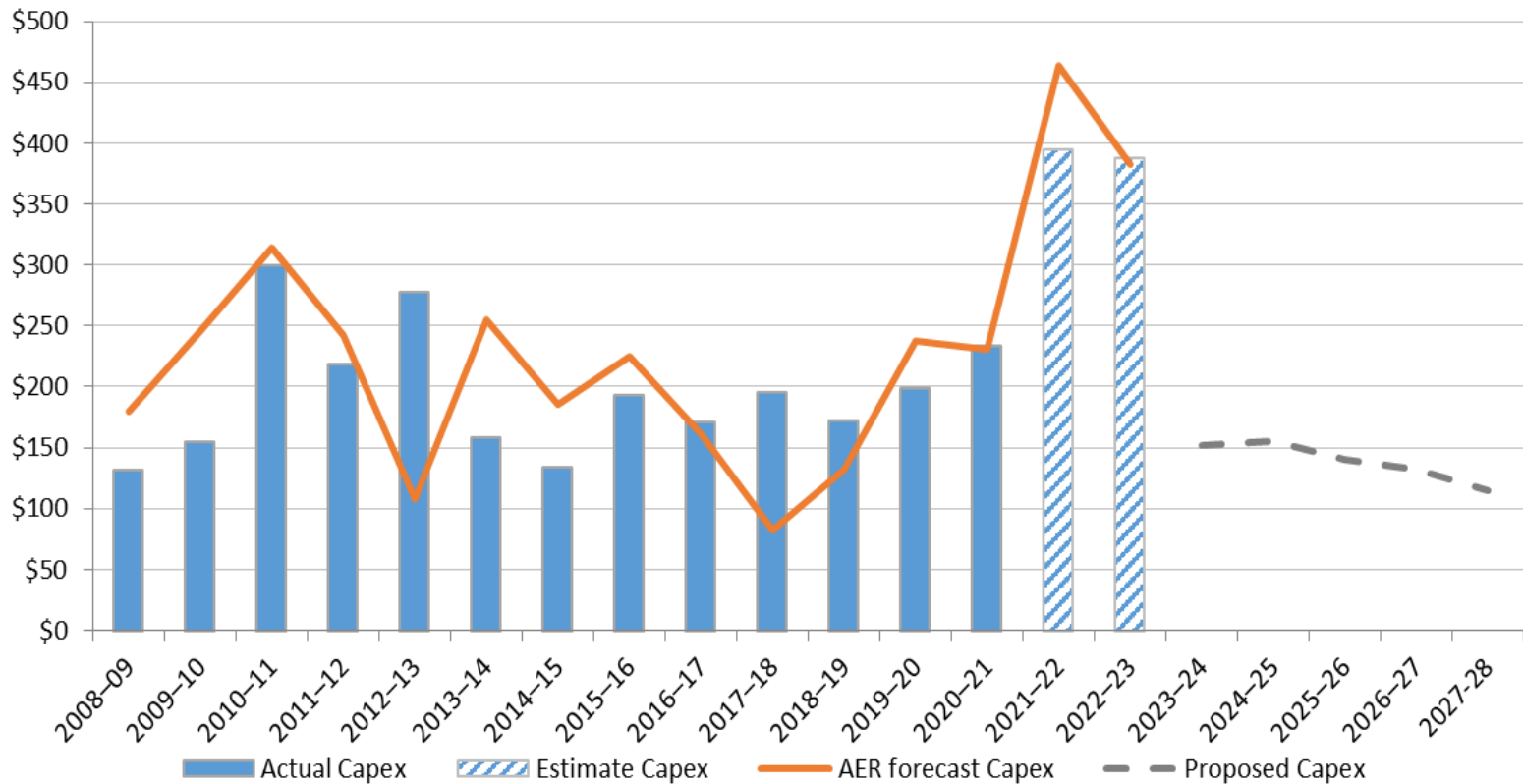


# Regulatory asset base and the return on and of capital



# Capital expenditure

Gross Capital Expenditure (\$2022-23), \$million



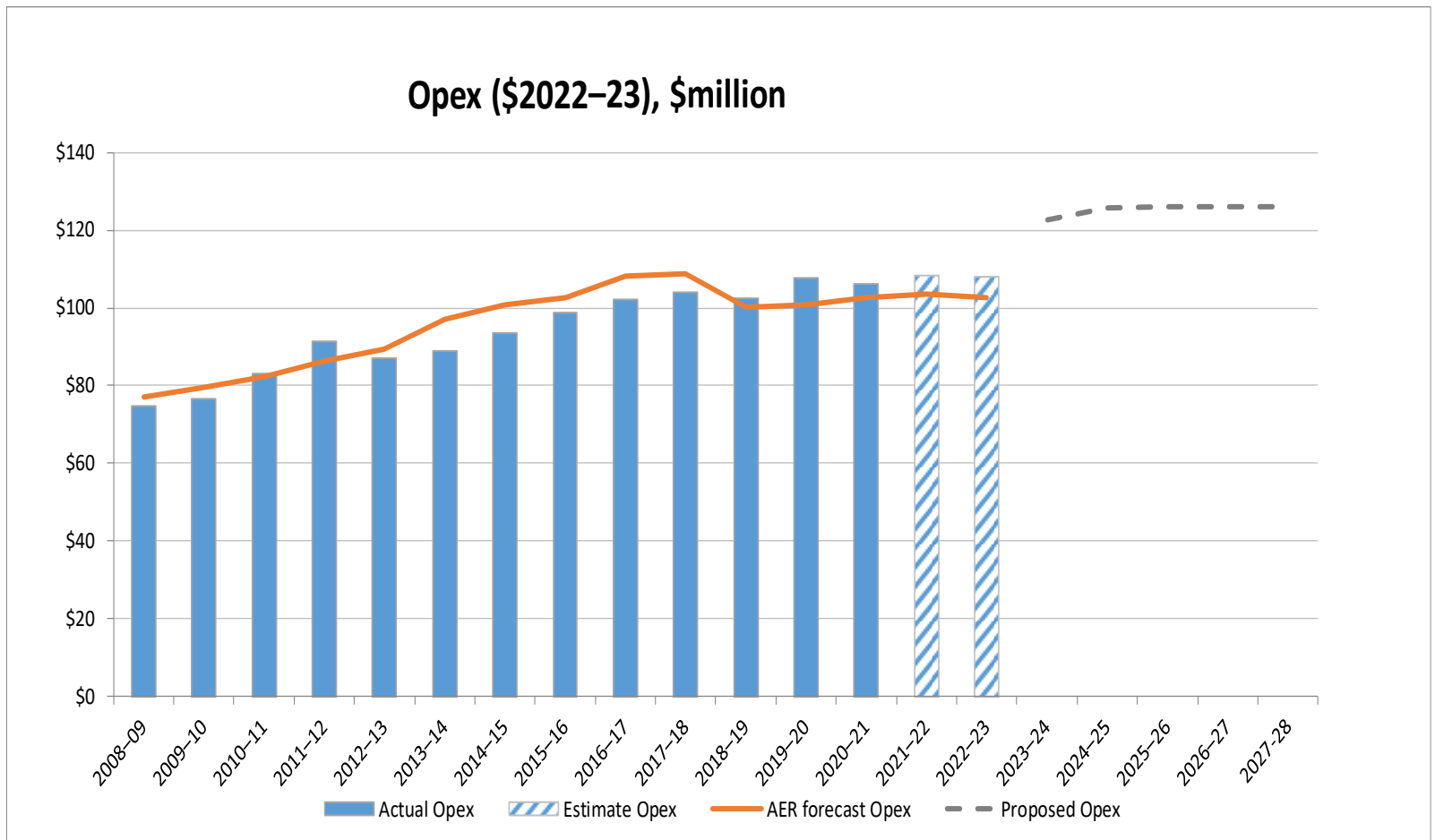
# Capex drivers

Category	Forecast capex (\$2022-23)	Proportion of total	Change from 2018-23 (\$2022-23)	Change from 2018-23 (%)
Augmentation	59	8.5%	-348	-85.5%
Connection	0	0.0%	-3	-100.0%
Easement/land	6	0.9%	0	0.0%
Replacement	327	47.0%	-211	-39.3%
Refurbishment	67	9.6%	-25	-26.4%
Security/Compliance	168	24.1%	-100	-37.5%
Information Technology	43	6.2%	-36	-46.3%
Inventory/spares	12	1.7%	-1	-7.7%
Facilities	14	2.0%	2	16.7%
<b>Total</b>	<b>696</b>	<b>100.0%</b>	<b>-723</b>	<b>-51.0%</b>

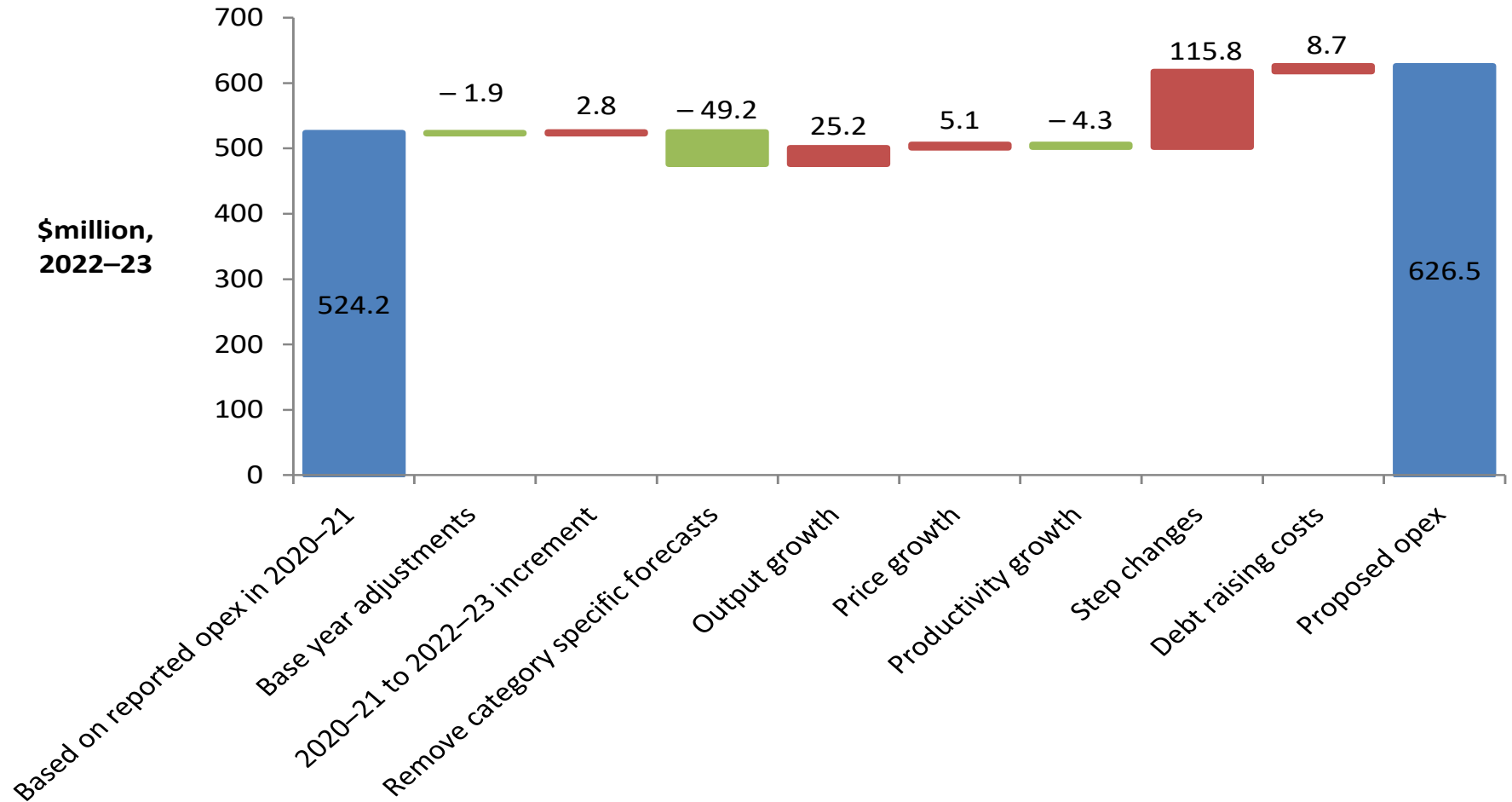
# Contingent projects and how they sit within this determination

- 3 contingent projects with a total indicative cost of \$180-\$360 million (\$ nominal)
- In this determination:
  - Are these projects that are reasonably – if not definitely - likely to arise within the period in question?
  - Are the ‘triggers’ proposed an appropriate threshold for us to re-open ElectraNet’s revenue and consider additional expenditure?
  - But no pre-approval of expenditure at this time.
- If, and only if, ElectraNet considers an approved contingent project is ‘triggered’ a second assessment and consultation process will commence and ElectraNet will be required to demonstrate:
  - that the trigger has been met,
  - that the cost implications of the project are material, and
  - that its related expenditure (capex and opex) is prudent, efficient and in accordance with expenditure requirements under the Rules.

# Operating expenditure



# Opex drivers



# New cost pass through events

- Two new events proposed in addition to prescribed and previously approved cost pass through events:
  - Renewable energy zone (REZ) design report event'
  - System strength services event



# Incentive schemes

- Continued application of:
  - Efficiency benefit sharing scheme (EBSS)
  - Capital expenditure sharing scheme (CESS)
  - Service target performance incentive scheme (STPIS)
- And the addition of the Demand management innovation allowance mechanism (DMIAM).

# Next steps

Milestone	Date
Proposal submitted	31 January 2022
AER published its issues paper	28 March 2022
AER public forum on issues paper & proposal	31 March 2022
<b>Submissions closes on issues paper &amp; proposal</b>	<b>11 May 2022</b>
AER publishes its draft decision	September 2022
<b>AER predetermination conference on draft decision</b>	<b>October 2022</b>
Revised proposal submitted	November 2022
<b>Submissions due on draft decision &amp; revised proposal</b>	<b>January 2023</b>
AER publishes its final decision	April 2023

# How you can get involved

- Write a submission to the AER.
  - Stakeholder submissions are due by **11 May 2022**.
- Subscribe to the AER's website for updates:
  - <https://www.aer.gov.au/newsletter/subscribe>
- Contact the AER:
  - [ElectraNet2023@aer.gov.au](mailto:ElectraNet2023@ aer.gov.au)