

**STATEMENT OF REASONS**

**SA Power Networks electricity distribution network**

**Approval of 2014–15 pricing proposal**

The Australian Energy Regulator has approved SA Power Networks annual pricing proposal, which establishes the network tariffs and alternative control service charges applicable from 1 July 2014 to 30 June 2015.

We assessed the annual pricing proposal for compliance with the price control mechanisms set out in SA Power Networks distribution determination (distribution determination) and with section 6.18 of the National Electricity Rules (the rules). Customers on the most common residential tariff will likely see a *retail bill* increase of 4.4 per cent from this decision.

The reasons for approving SA Power Networks’ annual pricing proposal are that:

* We are satisfied that the proposed network tariffs have been calculated using the approved revenue requirement (as per the revenue cap formula in section 4.4 of the distribution determination) and based on reasonable quantity forecasts. Furthermore, the proposed network tariffs comply with the relevant pricing principles and side constraints set out in the distribution pricing rules.
* SA Power Networks has correctly applied the approved price control mechanism to calculate the alternative control service prices in accordance with section 4.4 of the distribution determination. The approved price control mechanism involves escalating current prices by the change in the March quarter CPI on a year on year basis multiplied by an approved X factor.

The approved 2014–15 network tariffs and alternative control service charges can be found in the following document found on our website:

[SA Power Networks Distribution—2014–15 Revised annual network pricing proposal](https://www.aer.gov.au/sites/default/files/ActewAGL%20Distribution%20-%202014-15%20Revised%20annual%20network%20pricing%20proposal.pdf)