

13 September 2017

Mr Sebastian Roberts
General Manager – Network Expenditure
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Via email: Electranet2018@aer.gov.au

Dear Sebastian

re: ElectraNet Transmission Revenue Determination 2019 to 2023 – Public Submissions

The AER received public submissions from the following organisations in response to ElectraNet's Revenue Proposal for the 2019 to 2023 regulatory control period:

- Business SA
- Consumer Challenge Panel
- Government of South Australia (Department of Premier and Cabinet)
- Iron Road Limited
- Leigh Creek Energy
- South Australian Chamber of Mines and Energy (SACOME)
- South Australian Council of Social Service (SACOSS)
- Uniting Communities

ElectraNet has carefully reviewed these submissions in consultation with its Consumer Advisory Panel, and provides the enclosed summary of key issues raised and responses to those issues to assist the AER in its consideration of these submissions.

ElectraNet would be happy to provide any further information or clarification required. Should you wish to discuss any aspects, please contact Simon Appleby on (08) 8404 7324.

Yours sincerely



Rainer Korte
Executive Manager Asset Management

1. Business SA			
Ref.	Subject	Issues Raised	Comment
p1	General	<ul style="list-style-type: none"> Business SA welcomes the overall reductions in transmission prices and forecast expenditure 	Noted.
p2	28 September blackout	<ul style="list-style-type: none"> The 28 September 2016 crystallised the importance of reliability for SA. ElectraNet, generators and Governments need to take reasonable steps to mitigate impacts of similar future events. 	ElectraNet has identified and included in its Revenue Proposal a number of targeted and prudent capex projects to strengthen the security of the network against future events based on an assessment of the risks, costs and benefits to consumers.
p2	Regulated Asset Base (RAB)	<ul style="list-style-type: none"> ElectraNet's RAB continues to rise in nominal terms, but decline in real terms. The AER needs to consider future investment needs in the context of past investments and impacts on current RAB value which is a key driver of total revenue. 	Noted. The RAB value is largely a reflection of past investment in the transmission network needed to meet demand and maintain secure and reliable supply, as well as forecast investment requirements.
p3	Stakeholder engagement	<ul style="list-style-type: none"> Business SA found the early engagement process was helpful and informative and facilitated constructive engagement on key issues 	Noted. ElectraNet remains committed to genuine ongoing engagement with stakeholders.

1. Business SA			
Ref.	Subject	Issues Raised	Comment
p3	Real labour cost increases	<ul style="list-style-type: none"> Real labour cost increases are the largest driver of ElectraNet's nominal operating expenditure increases, and need to be predicated on the actual labour demand/supply situation, most recently judged by the Essential Services Commission of South Australia in its decision on SA Water's 2016-20 regulatory business proposal. Cost escalations contained in a report by Aquenta submitted by ElectraNet are heavily redacted which limits transparency on this issue. 	<p>ElectraNet has relied on independent expert advice on forecast labour cost movements and applied the AER's standard approach to labour costs based on the average of expert opinions, which shows a minor forecast real cost increase across the period. The basis of these estimates is explained in detail in a public report submitted by ElectraNet prepared by BIS Shrapnel¹.</p> <p>ElectraNet has applied no real cost escalation to the remaining non-labour components of its forecast.</p> <p>The Aquenta report provides an independent check estimate on the accuracy of ElectraNet's capital project cost estimates, in current dollar terms. It does not contain forecasts of real labour costs, which are derived from the independent estimates referred to above.</p> <p>It is not possible to release a full version of the Aquenta report as the capital projects in question are subject to future competitive tendering processes.</p>
p4	Gamma	<ul style="list-style-type: none"> Business SA acknowledges that ElectraNet has adopted rate of return parameters in line with recent AER determinations and recent court rulings. Business SA expects that ElectraNet will adopt a gamma value of 0.4 rather than 0.25 based on the recent Federal Court decision. 	<p>ElectraNet notes the recent Federal Court decision and will await the AER's determination on this matter in its draft decision in light of these recent developments.</p>
p4	Eyre Peninsula supply reliability	<ul style="list-style-type: none"> Business SA supports ElectraNet's endeavours to improve reliability on the Eyre Peninsula, not only to Port Lincoln but also to northern customers. 	<p>Noted. ElectraNet continues to work with its stakeholders to investigate options for reliable and affordable electricity supply to Eyre Peninsula through its Eyre Peninsula Electricity Supply Options Regulatory Investment Test for Transmission (RIT-T) process, and expects to publish a Project Assessment Draft Report by end October 2017.</p>

¹ BIS Shrapnel, *Report on expected wage changes to 2022/23*, February 2017 available on the AER's website at: <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/electranet-determination-2018-23/proposal>.

2. Consumer Challenge Panel			
Ref.	Subject	Issues Raised	Comment
pi	General	<ul style="list-style-type: none"> • ElectraNet has demonstrated a high degree of commitment to a genuine, open consumer engagement process that has contributed to a revenue proposal that better reflects both its reasonable commercial interests and the interests of consumers. ElectraNet has endeavoured, and generally succeeded, in building a high level of trust amongst its stakeholders. • ElectraNet has substantially complied with the approach set out by the AER for the estimation of the nominal vanilla WACC and Opex. Its proposed capex is also relatively constrained and is the result of a well-implemented risk-based approach to planning. • Further, there are a number of areas where CCP 9 is concerned that the proposal from ElectraNet may not be in the long-term interests of consumers. These include the extent of the contingent projects, the inflation forecast, gamma, and the possible revision to the approach on debt. 	<p>Noted. ElectraNet remains committed to genuine ongoing engagement with customers and stakeholders.</p> <p>Contingent projects, the inflation forecast, gamma, and the approach to return on debt are addressed further below.</p>
pi	Consumer Engagement	a) CCP9 acknowledges the significant progress ElectraNet has made to support its regulatory proposal in the extent and quality of its customer engagement, the initiatives it has taken ('no surprises' etc.) and its organisational commitment to the process; CCP9 recommends that the AER consider this progress in making its determination.	Noted.
		b) CCP9 encourages ElectraNet to continue this high-quality customer engagement throughout the remainder of the regulatory determination process and as part of any processes associated with contingent projects and RIT-T evaluations.	Agreed. ElectraNet remains committed to genuine ongoing engagement with customers and stakeholders, including in its contingent project and RIT-T evaluations.

2. Consumer Challenge Panel			
Ref.	Subject	Issues Raised	Comment
		c) CCP9 recommends that ElectraNet consider the feedback from some of the consumer representatives in terms of ensuring an ongoing focus on achieving the outcomes sought by consumers of affordability, reliability continuity and sustainability.	Noted. ElectraNet remains committed to delivering services that promote affordability, reliability and sustainability for customers. ElectraNet will also continue to work with the Consumer Advisory Panel and wider stakeholders to explore ongoing improvements to the effectiveness of its engagement approach.
		d) Feedback from consumer representatives highlighted the time and resourcing challenges they face given most representatives are representing their constituency on multiple issues. CCP9 recommends that ElectraNet carefully consider the balance between meaningful engagement and these limited resources given the long regulatory time frames.	Noted. ElectraNet is mindful of the time and resource constraints facing stakeholders, and will continue to explore opportunities for ongoing improvements to the effectiveness of its engagement on the key issues.
		e) ElectraNet review its meeting agendas to ensure there is adequate time for full discussion on key issues at the meeting	Noted. ElectraNet continues to seek feedback on the effectiveness of each meeting of the Consumer Advisory Panel and improvement suggestions for future meetings.
		f) CCP9's discussions with consumers raised a number of questions about the role of CE in the regulatory process and the management of consumer expectations about the role of CE. While these issues go beyond ElectraNet's regulatory proposal, CCP9 recommends that the AER consider these issues as part of any broader review of CE.	Noted. ElectraNet will continue to work with the Consumer Advisory Panel and wider stakeholders to explore ongoing improvements to the effectiveness of its engagement approach and operation of the Panel.
piii	Long Term Interest of Consumers	g) The AER accept ElectraNet's forecast of consumption and peak demand for the regulatory period	Noted.

2. Consumer Challenge Panel			
Ref.	Subject	Issues Raised	Comment
		h) ElectraNet provide more information on the risks around underutilisation of the assets and how it proposes to manage this risk in the long-term interests of consumers.	<p>ElectraNet continues to adopt a risk based approach to the management of its assets based on assessed condition and service obligations. The level of utilisation of the network will depend on external factors such as customer numbers and consumption trends.</p> <p>ElectraNet is mindful of the pressure declining consumption places on unit costs and continues to focus on driving down its costs, and actions to help place downward pressure on overall delivered electricity costs.</p>
		i) ElectraNet or the AER provide further modelling of the impact of different consumption forecasts on the average price path.	<p>The AER is required under the Rules to approve an annual revenue cap for ElectraNet.</p> <p>An indicative price path outlook is provided at the time of a Revenue Proposal and Final Determination by the AER to help inform customers. These projections are illustrative only and rest on a variety of assumptions, including forecasts of: inflation, cost of debt and energy consumption levels.</p> <p>Further analysis of indicative outlooks can be provided as required to help inform stakeholders.</p>
piii	Capital Expenditure	j) CCP9 emphasises and recommends that ElectraNet's high quality approach to consumer engagement (in terms of capacity to engage, not just opportunity) should be extended to RIT-T processes.	ElectraNet remains committed to effective ongoing engagement, including through its RIT-T assessments.
		k) NCIPAP Project proposals should be reviewed in light of outcomes of the SA Energy Transformation RIT-T and existing assumptions of market benefits drawn from the 2012 Heywood Interconnector upgrade RIT-T should be tested for contemporary relevance noting the significant changes in market conditions since that time.	<p>AEMO has reviewed in detail the proposed NCIPAP projects based on available information on current market conditions and assumptions, and has endorsed the set of projects proposed.</p> <p>The NCIPAP scheme enables projects to be amended during the course of a regulatory period in the event that project priorities change, and requires ElectraNet to verify that the assumptions used to justify the benefits of each project have not changed at the time of an investment.</p>

2. Consumer Challenge Panel			
Ref.	Subject	Issues Raised	Comment
		l) The inclusion of \$6.4m for the ESCRI Battery Storage project should be reviewed for relevance following the South Australian government's announcement of the 100MW battery at the Hornsdale wind farm.	ElectraNet continues to pursue the ESCRI project as a transmission connected demonstration project, but it is now proposed that this project would be completed in the current regulatory period under ElectraNet's NCIPAP program with the support of AEMO and the AER. The project provides substantial benefits to customers in terms of improved reliability and power system security.
		m) ElectraNet, AEMO and the AER should provide a clear, explicit indication of the consolidated cost to consumers of system security initiatives in time for the Revised Regulatory Proposal.	A summary of the targeted system security capital projects to be undertaken in the balance of the current regulatory period (totalling \$16m) and upcoming regulatory period (totalling \$32m) is provided in the Revenue Proposal Overview (refer tables 1, 4 and 5). Further information can be provided if required.
		n) The AER should include the probable impact of contingent projects on revenues and prices in the Draft Determination.	ElectraNet has included indicative customer price impacts of both the SA Energy Transformation and Eyre Peninsula Contingent Projects in the Revenue Proposal Overview (refer page 43).

2. Consumer Challenge Panel			
Ref.	Subject	Issues Raised	Comment
		<p>o) The AER should form a strong view on the most appropriate governance arrangements for the path forward for Eyre Peninsula's electricity infrastructure, noting the concerns raised by ESCOSA in relation to joint planning. This could include rejecting the ex-ante proposal for capital expenditure and including this expenditure in the scope of the Eyre Peninsula Contingent Project. Further, the AER could support independent oversight of a specific joint planning and investment test project that involved ElectraNet, SA Power Networks, AEMO, ESCOSA, consumers and proponents of non-network solutions.</p>	<p>ElectraNet has established the need to replace sections of deteriorating conductor on the Eyre Peninsula transmission line in the next regulatory period through detailed asset condition assessment, risk analysis and economic evaluation of alternative options (including delaying works into the next regulatory period).</p> <p>ElectraNet is currently working with stakeholders to explore through the RIT-T process the scope for greater net benefits to be delivered through options to fully rebuild the line. If found to be economical, the differential cost would be sought as a Contingent Project.</p> <p>Recent commentary from ESCOSA in relation to joint planning overlooks important features of the SA planning arrangements, including AEMO's planning oversight role and the role of the RIT-T as a rigorous and transparent process to consider all transmission, distribution and non-network solutions, which ElectraNet responded to in a public submission to ESCOSA (dated 18 August 2017).</p> <p>ElectraNet would be happy to discuss these issues in further detail.</p>
piv	Operating Expenditure	<p>p) Based on current information it would be open for the AER to adopt the proposed opex.</p>	Noted.
piv	Depreciation	<p>q) Given the relatively small sums involved we do not, in this case, oppose the writing off of the assets no longer used at all.</p>	Noted.
pv	Rate of Return and Tax	<p>r) ElectraNet should commit to maintaining its estimation of debt costs based on the transition to the trailing average and the AER should accept that proposal</p>	ElectraNet will await the AER's determination on this matter in its Draft Decision.
		<p>s) If ElectraNet were to propose a change to the approach to estimation of debt costs, such as removal of the transition, stakeholders should have the opportunity to make further submissions prior to AER considering the proposal</p>	Noted.

2. Consumer Challenge Panel			
Ref.	Subject	Issues Raised	Comment
		t) AER should retain its current approach to estimating 10-year inflation expectations pending the outcome of its current review.	<p>ElectraNet has proposed an alternative market based inflation forecasting approach (which was applied by the AER prior to the GFC until 2008) which it believes provides for a more accurate and representative forecast in the current environment, and awaits the AER's determination on this matter in its Draft Decision.</p> <p>ElectraNet notes this matter is the subject of a current review by the AER, which is expected to settle the prevailing approach to forecasting inflation moving forward.</p>
		u) AER should not accept ElectraNet's proposal for a gamma of 0.25 and should continue to use a gamma of 0.40.	ElectraNet will await the AER's determination on this matter in its draft decision in light of recent developments.
		v) As part of the next review of the Rate of Return Guideline, the AER should review its approach to the estimation of tax expense.	ElectraNet expects to work with the AER in the course of its upcoming review of the Rate of Return Guideline.

3. Government of South Australia – Department of the Premier and Cabinet			
Ref.	Subject	Issues Raised	Comment
p1	General	<ul style="list-style-type: none"> The Energy and Technical Regulation Division (Division) notes the consultative approach undertaken by ElectraNet and the supportive feedback on the early engagement process. The Division is supportive of the reduction in transmission costs that would be achieved through the proposal. The Division acknowledges the impacts of the September 2016 storm event in delaying work on existing projects and is supportive of work needed to maintain system security in the transition to a low carbon future and in managing the impacts of extreme weather. 	Noted.
p1	Pass Through Events	<ul style="list-style-type: none"> The Division is concerned that the definition of a Natural Disaster Pass Through Event no longer includes the term ‘major’ or ‘material’, but rather simply refers to any natural disaster that increases costs to ElectraNet. The new definition does not include the requirement for the AER to have regard to ElectraNet’s approved forecast operating expenditure allowance. 	<p>The drafting of the pass through event definition is consistent with the AER’s most recent transmission determinations for AusNet Services and Powerlink.</p> <p>Any allowable cost pass through also remains subject to a materiality threshold of 1% of Maximum Allowance Revenue under the Rules (approximately \$3.2m pa).</p> <p>The AER is required under the National Electricity Rules to consider whether any claimed pass through costs are already included in an approved expenditure allowance (refer clause 6A.7.3(j)(6A)).</p>
p2	ESCRI Energy Storage Project	<ul style="list-style-type: none"> The Division is supportive of the regulated cost component of the project as the provision of a prescribed transmission service. 	Noted.

3. Government of South Australia – Department of the Premier and Cabinet			
Ref.	Subject	Issues Raised	Comment
p2	System security and resilience capex	<ul style="list-style-type: none"> ElectraNet considered a group of projects to improve system security and increase network resilience in the wake of the September 2016 storms. Substation improvement for System Black conditions was one of the projects and included options for improving resilience to the three 275kV lines between Adelaide and Davenport. ElectraNet identified a small number of projects to improve the resilience of the network, and found it was not possible to demonstrate an economic case for the majority of projects without assuming significantly higher frequency of wind events in the future beyond those expected when considering the forward-looking impacts of climate change. The Division seeks that the AER confirm the justification and reasoning undertaken in the assessment. 	<p>The justification of the projects included in the capital expenditure forecast to strengthen the security of the network has been subject to detailed review and scrutiny in the assessment of ElectraNet's capital program to date.</p> <p>The Substation Improvements for System Black Conditions project (which is included in ElectraNet's capital expenditure forecast) is separate from the investigation of potential larger scale measures to improve the resilience of the 275kV lines between Adelaide and Davenport, which were not found to be economic (and are therefore not included in ElectraNet's capital expenditure forecast).</p>
p2	Reactor projects	<ul style="list-style-type: none"> AEMO has suggested that installation of reactors at Para, Templers West and Blyth West substations be addressed as one project as they are interrelated as addressing a single emerging need. 	ElectraNet confirms the underlying need driving these projects will be assessed jointly through the application of the RIT-T process.
p2	Eyre Peninsula electricity supply	<ul style="list-style-type: none"> The Division supports the inclusion of both an ex-ante capital expenditure project to partially replace transmission lines on the Eyre Peninsula and the Eyre Peninsula Electricity Supply options contingent project to explore alternatives through the RIT-T. ElectraNet clearly set out that if a contingent project was triggered, it would seek only the difference in project costs. The proposed timing of the replacement project (2023) allows for proper consideration of alternatives and for any overlap of expenditure to be avoided. The Division considers the outcomes of the RIT-T process to be appropriate as a contingent project trigger. 	Noted. ElectraNet continues to work with its stakeholders to investigate options for supply reliability to Eyre Peninsula through its Eyre Peninsula Electricity Supply options RIT-T process, and expects to publish a Project Assessment Draft Report by end October 2017.

3. Government of South Australia – Department of the Premier and Cabinet			
Ref.	Subject	Issues Raised	Comment
p3	Contingent projects	<ul style="list-style-type: none"> The Division agrees with the project needs outlined by ElectraNet for the SA Energy Transformation Project with the outcome of a RIT-T forming an appropriate trigger. The Division notes the indicative scope of the Main Grid System Strength Control contingent project providing for the installation of synchronous condensers at selected locations across the transmission network in order to maintain fault levels to support system strength. The Division also notes ongoing studies being undertaken by AEMO into this requirement, measures being implemented by the SA Government to improve resilience and system strength of the power system, and recent draft Rule released by the AEMC on managing power system fault levels. 	<p>ElectraNet is aware of and actively engaged in ongoing developments relating to system strength.</p> <p>The Main Grid System Strength Support contingent project was identified in light of these ongoing developments and emerging needs on the power system. The contingent project includes as one of its triggers a specific obligation on ElectraNet to address a system strength requirement in the South Australian region, in anticipation of this need.</p>
p4	Gamma	<ul style="list-style-type: none"> The Division notes that the proposed cost of corporate tax (gamma) of 0.25 remains at odds with more recent determinations and Court Decisions. 	<p>ElectraNet notes the recent determinations and Court decisions and will await the AER's determination on this matter in its draft decision in light of these recent developments.</p>

4. Iron Road			
Ref.	Subject	Issues Raised	Comment
p1	Eyre Peninsula Reinforcement Contingent Project	<ul style="list-style-type: none"> A vital component for the Central Eyre Iron Project will be the provision of a 275kV transmission line to provide power to the mine site for the operation of the mine and beneficiation plant. Iron Road is supportive of ElectraNet's proposed contingent project for the Eyre Peninsula reinforcement and believes that full replacement of the Cultana to Port Lincoln transmission line is preferable to the alternative option of conductor replacement. 	Noted. ElectraNet continues to work with its stakeholders to investigate options for supply reliability to Eyre Peninsula through its Eyre Peninsula Electricity Supply options RIT-T process, and expects to publish a Project Assessment Draft Report by end October 2017.

5. Leigh Creek Energy			
Ref.	Subject	Issues Raised	Comment
p2	Upper North-East Line Reinforcement Contingent Project	<ul style="list-style-type: none"> The Leigh Creek Energy project aims to develop a large coal resource utilising in situ gasification technologies. Reinforcement of the Upper North East Line (Davenport - Leigh Creek 132kV line) will ensure a reliable source of electrical power during the construction of Leigh Creek Energy's commercial production facilities and would also provide reliable back up power supply for the Leigh Creek Energy Project as it diversifies from power production to the supply of other products such as natural gas, ammonia and ammonium nitrate products (fertiliser and industrial explosives). 	Noted. The proposed triggers for this project include customer commitment for an additional load causing the Davenport to Leigh Creek 132kV line to exceed its capacity and successful completion of a RIT-T showing a line upgrade is justified as the most economic solution.

6. South Australian Chamber of Mines and Energy (SACOME)			
Ref.	Subject	Issues Raised	Comment
p1	Eyre Peninsula Reinforcement Contingent Project	<ul style="list-style-type: none"> SACOME has maintained a consistent policy of the need for a reinforcement of the Eyre Peninsula transmission line from 132kV to 275kV to support mining and other developments in the region There are several mineral projects currently active on the Eyre Peninsula and three projects are at a mature stage of development. The most mature, Central Eyre Iron Project (CEIP), will likely be developed in the 2018-2023 regulatory period. 	Noted. ElectraNet continues to work with its stakeholders to investigate options for supply reliability to Eyre Peninsula through its Eyre Peninsula Electricity Supply options RIT-T process, and expects to publish a Project Assessment Draft Report by end October 2017.
p2-3	Upper North-East and North-West Line Reinforcement Contingent Projects	<ul style="list-style-type: none"> The North-West and North-East line reinforcement projects are essential infrastructure for the Gawler Craton mineral province and Flinders Ranges coal fields. The prospectivity of these resources will necessitate the need for additional transmission capacity. The North-West and North-East transmission line projects are in regions where there is expected to be significant mineral and energy developments becoming operational in the next 5 years. The transmission assets are old and require reinforcement or upgrading to meet future load demand. In relation to the North-East reinforcement project, the Leigh Creek coal gasification project is proposed to commence development in 2018 with a start-up date of 2020. This would trigger the contingent project in the coming period. In relation to the North-West reinforcement project, the Carrapateena copper project east of Woomera has identified that a connection into the 132kV line at Mt Gunson on the North-West line will be required. OZ Minerals, the project proponent, is projecting a production commencement date in the second half 2019 and civil works are currently underway. 	Noted. The proposed triggers for these line reinforcement projects include customer commitment for additional load causing the lines to exceed their capacity, and successful completion of a RIT-T showing a line upgrade is justified as the most economic solution.

7. South Australian Council of Social Service (SACOSS)			
Ref.	Subject	Issues Raised	Comment
p1	Early Engagement Approach	<ul style="list-style-type: none"> The early engagement approach placed significant additional expectation on consumer representatives. Arguably already stretched consumer representative resources were requested to extend to numerous meetings with the business and independent facilitator, in addition to participation on the ElectraNet Consumer Advisory Panel which also met regularly over the consultation period. 	<p>The early engagement approach was intended to provide opportunities for meaningful engagement with consumer representatives and stakeholders on ElectraNet's plans and proposals prior to finalisation and lodgement with the AER.</p> <p>The focus was to better inform customer representatives and adopt a more collaborative approach to develop understanding and test elements of the proposal, noting that each stakeholder organisation was free to commit to the appropriate level of engagement for its individual circumstances.</p>
p2	Deep Dive Workshops	<ul style="list-style-type: none"> An invitation to participate in the deep dive meetings was extended to all members of the ElectraNet Consumer Advisory Panel. SACOSS elected not to participate due to resource limitations. It is questionable whether a small group of consumer representatives can adequately represent the views of all consumers, raising questions about what the outcomes of the process can reasonably be said to be. SACOSS also understands participants in these sessions represented their own organisations and did not take steps to represent a wider group of consumers. Care should therefore be taken in interpreting the results. 	<p>Deep dive technical workshops were held to provide members of the Consumer Advisory Panel an opportunity to explore in detail specific issues and areas of interest in relation to ElectraNet's expenditure programs and broader proposals.</p> <p>These sessions were also attended by AER technical representatives, an independent facilitator and members of the AER's Consumer Challenge Panel (once appointed by the AER).</p> <p>The outcomes of the deep dive workshops were shared with the wider Consumer Advisory Panel and a detailed briefing was provided to the full Panel by participants without ElectraNet present.</p> <p>The deep dive sessions were one element of a broader engagement process, which provided numerous opportunities for stakeholders to engage through the Preliminary Revenue Proposal, written feedback, individual telephone surveys, public forums and full Panel meetings.</p> <p>The overall purpose of the early engagement program was to better inform and improve the revenue determination process, and not to replace any aspects of the formal process, and provide stakeholders with greater opportunities to participate.</p>

7. South Australian Council of Social Service (SACOSS)			
Ref.	Subject	Issues Raised	Comment
p2	Obligations of the AER	<ul style="list-style-type: none"> SACOSS believes the early engagement approach places additional burdens of engagement on consumer representatives, and responsibilities to represent wider consumer perspectives. It also requires adequate technical and economic capacity and understanding, which cannot be guaranteed in a revenue determination. It is foreseeable this approach will place consumer representatives in an untenable role. The AER should explain the consumer benefit it perceives from extended consultation processes like these, and should provide detailed guidance on such processes through formal guidelines in consultation with the Customer Consultative Group and Consumer Challenge Panel. 	<p>The early engagement program complements and enhances the revenue determination process, but does not replace any aspects of this formal process under the Rules or the role of the AER.</p> <p>Providing additional opportunities for stakeholder input through a more intensive pre-lodgement engagement process was intended to deliver a number of improved outcomes for customers and ElectraNet, including building shared understanding, more targeted expenditure plans, greater trust and confidence in the regulatory process, increased certainty in regulatory outcomes with 'no surprises' and a reduced resources requirement for engagement in the regulatory process.</p> <p>Organisations not in a position to participate in these pre-lodgement engagement opportunities still have access to the full formal revenue determination process under the Rules, with the benefit of a more thoroughly tested and scrutinised set of proposals.</p>
p2	Fast Track Approach	<ul style="list-style-type: none"> SACOSS understood that one aim of the early engagement approach was to have the Proposal fast tracked through the AER processes, so that the Draft Decision was as close to a Final Decision as possible. SACOSS is not supportive of a fast track revenue reset approach. 	<p>As noted above, the early engagement approach does not replace or circumvent any aspect of the formal revenue determination process, which is not possible under the National Electricity Rules. The formal process and full role of the AER still applies, with the benefit of more extensive pre-lodgement engagement.</p>
p3	Capital Expenditure – Eyre Peninsula	<ul style="list-style-type: none"> SACOSS does not support the Eyre Peninsula conductor and earth wire replacement and considers it should be deferred until there is further evidence that there is an imminent impact on reliability and/ or public safety. 	<p>ElectraNet's detailed condition assessment analysis, risk analysis and economic evaluation of all alternative options confirms that replacement of the affected conductor sections is required in the coming regulatory period. ElectraNet specifically modelled the option of deferring this project to the following regulatory period, which was found to provide lower net benefits to customers because of escalating line outage rates and maintenance costs.</p>

7. South Australian Council of Social Service (SACOSS)			
Ref.	Subject	Issues Raised	Comment
p3	Capital Expenditure - ESCRI	<ul style="list-style-type: none"> SACOSS does not support the inclusion of capital expenditure capex for the battery project within the RAB as this creates a conflict of interest. Costs should be expensed by way of a network support arrangement. 	<p>With the support of the AER, the regulatory treatment of the ESCRI project involves the inclusion of that portion of the asset providing a prescribed service in the RAB, with non-regulated competitive services provided by an independent third party as a licensed and registered generator and operator of the battery. This removes any potential or perceived conflict of interest.</p> <p>ElectraNet also notes this arrangement is equivalent to a network support agreement in delivering the same service outcome for consumers, irrespective of the ownership of the assets.</p>

7. South Australian Council of Social Service (SACOSS)			
Ref.	Subject	Issues Raised	Comment
p7-9	Eyre Peninsula Conductor Replacement Project	<ul style="list-style-type: none"> • What conductor tests were undertaken and how has this been used to assess failure? • What are the consequences of failure, having regard to the network support agreement with Synergen, plausible estimates of the frequency and duration of outages, the value of lost load and public safety? • Is there evidence to-date of failure attributable to the conductor deterioration at the four sections that ElectraNet proposes to replace? • ESCOSA's Report claims that re-conductoring will make no difference to the minutes off supply on the Eyre Peninsula • In the absence of an urgent need to re-conductor the existing line, it would be sensible to evaluate the merits of re-conductoring existing lines at the same time that these substitutes are being seriously evaluated as part of the RIT-T process. • Evidence provided by ElectraNet so far provides no compelling evidence that there is an imminent impact on reliability and / or public safety from not re-conductoring the Eyre Peninsula line. 	<p>These factors have all been assessed in detail through the course of the condition assessment, risk analysis and economic evaluation of options underlying this project. In summary:</p> <ul style="list-style-type: none"> • Sample testing and analysis of conductor condition was undertaken by an independent laboratory to assess projected failure rates. • Line failure results in loss of supply impacts for customers (both short term for those able to be supplied by the network support service at Port Lincoln and more extended outages for those that cannot), escalating maintenance costs in repairing assets, and public safety risks of conductors falling to the ground. These factors have been considered in detail through the risk assessment and economic evaluation. • ElectraNet has experienced failures to date in the deteriorated sections of conductor. • The driver of the re-conductoring project is to maintain prescribed reliability standards on Eyre Peninsula, and not to improve reliability or reduce minutes off supply. • A RIT-T process is currently under way to assess alternative options to re-conductoring involving full line replacement that may deliver improved reliability and greater net benefits to customers. • ElectraNet has modelled the option of deferring this project to the following regulatory period, which was found to provide lower net benefits to customers because of escalating line outages and maintenance costs.

8. Uniting Communities			
Ref.	Subject	Issues Raised	Comment
p10	General	<ul style="list-style-type: none"> Uniting Communities remains satisfied that ElectraNet listened carefully to responses it received to its PRP and made substantial efforts to incorporate such responses in the regulatory proposal that was lodged. Uniting Communities did not expect to reach consensus through the frontloaded process but reiterate our strong belief that ElectraNet heard and valued our input and also note that we agreed with ElectraNet on most aspects of their regulatory proposal. 	Noted.
p13	Network Hardening	<ul style="list-style-type: none"> Uniting Communities do not doubt that some network hardening is required so that the network can better withstand extreme storm events. 	Noted.
p13	Eyre Peninsula Project	<ul style="list-style-type: none"> Support a cost-effective upgrade to Eyre Peninsula line. Expect that ElectraNet will continue to actively engage with consumers and other stakeholders through the formal RIT-T process. 	Noted. ElectraNet continues to work with its stakeholders to investigate options for supply reliability to Eyre Peninsula through its Eyre Peninsula Electricity Supply options RIT-T process, and expects to publish a Project Assessment Draft Report by end October 2017.
p13	Risk assessment methodology	<ul style="list-style-type: none"> Generally supportive of ElectraNet's risk assessment methodology used for Eyre Peninsula. 	Noted.
p13	Contingent Projects	<ul style="list-style-type: none"> Uniting Communities are prepared to accept that the unique circumstances surrounding the ElectraNet situation make prediction about weather and even shifting demand difficult, out to 2023 meaning contingent projects are necessary. Uniting Communities noted that there is a general concern that contingent projects fall outside the full scrutiny of the regulatory process and therefore should be minimised. 	Noted. ElectraNet observes that the separate regulatory approval processes surrounding the RIT-T and Contingent Projects provides for an even greater level of scrutiny for these projects and allows for extensive engagement opportunities for customers and stakeholders. ElectraNet remains committed to ongoing engagement with its stakeholders through these processes.

8. Uniting Communities			
Ref.	Subject	Issues Raised	Comment
p15	Gamma	<ul style="list-style-type: none"> The tax allowances should be regarded as a pass-through costs based on actual tax payments. Assuming the current regulatory framework, Uniting Communities view is that gamma should be a higher value than 0.25. We are satisfied that limited merits review and Federal court appeals have landed on a value for gamma of 0.4. 	<p>ElectraNet notes that the current regulatory framework requires a benchmark allowance to be set in relation to estimated tax obligations.</p> <p>ElectraNet notes the recent Federal Court decision on gamma and will await the AER's determination on this matter in its draft decision in light of these recent developments.</p>
p15	Return on Capital	Agree with ElectraNet's approach as per the AER Better Regulation Guidelines for return on capital, gamma aside.	Noted.