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SA Power Networks' revenue proposal for the 2020-25 regulatory control period

EnergyAustralia welcomes the opportunity to make this submission to the AER's consultation on SA Power Networks' (SAPN) 2020-25 determination.

EnergyAustralia is one of Australia's largest energy companies with around 2.6 million electricity and gas accounts across eastern Australia. We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation.

Cost Recovery and Service Classification Arrangements

SAPN have proposed that for a standard connection, an ancillary control service (ACS) charge will apply, but for a standard/negotiated premise connection requiring an extension or augmentation, this will continue to be classified as a standard control service (SCS) and subject to a capital contribution.

We acknowledge the proposed services align with the AER's connections classification framework and ask SAPN and the AER to ensure there is greater clarity on how the total charge will be levied. We assume that for a standard connection service requiring extension and augmentation, an ACS charge is levied on the proponent, and capital contributions (as estimated) are recovered from the proponent as well, with any residual costs recovered through SCS charges.

SAP Upgrade Business Case – Supporting document 5.36

SAPN is currently using limited automation and is also making limited use of AEMO's B2B framework to interact with market participants (retailers, metering parties) to deliver and coordinate customer-facing services, such as coordinating a new customer connection or altering metering on a site so that solar panels can be installed. After the introduction of Power of Choice reforms in 2017, and regulatory obligations on retailers from early 2019 to meet metering installation timeframes, it is critical that the end-to-end IT experience of the customer, which is substantially dependent on the DNSP's coordination, is managed well.

The AER should consider the prudence of SAPN's proposed SAP upgrade. Our view is that it may involve sub-optimal investment in existing manual processes at a time where the market is changing and other DNSPs are moving to automate their systems. We recommend that the AER considers how SAPN will fund any future ICT expenditure on automated market interaction systems (known as a "gateway") and whether continuing to invest in a manual system is justified. We also acknowledge the AER's ICT Expenditure Assessment Review and ask the AER to consider impacts of inefficiencies where they impact market participants.

Expenditure associated with distributed energy resources (DER)

We note SAPN is proposing expenditure to address issues associated with increasing penetration of DER, including additional monitoring equipment and a business case involving dynamic export limits. This is a broader issue affecting all DNSPs and we expect SAPN's ongoing experience (funded by South Australian customers) will be shared for the benefit of customers in other jurisdictions. This includes technical and engineering solutions as well as how DER is affected or enabled by the regulatory framework.[1]

SAPN appears to have considered and ruled out direct forms of cost recovery associated with DER spending which may provide clear price signals for DER customers and ensure they are not being subsidised by non-DER customers.[2] It is not clear if these considerations are also applicable to customers in the event they can choose between fixed or dynamic export limits.

Noting the AER does not approve spending on particular activities or projects, if SAPN should proceed with these works over the 2020-25 period, we expect the following to be clarified:

- how customers affected by changing export limits will be appropriately consulted if they currently own DER equipment, or informed prior to purchasing equipment
- whether and how customers can opt for fixed export limits, and how this affects SAPN's business case and connection charges for those customers
- whether customers will have any choice in complying with export limits and if so, how they are dealt with (e.g. in terms of incentive payments or penalties).

We also encourage the AER to seek more detail on the expected benefits of SAPN's proposal, for example, reductions in quality of supply enquiries, alleviated export constraints, DER export capacity or number of affected customers. Stakeholders may benefit from SAPN or the AER specifically reporting impacts associated with additional DER penetration and associated spending. The AER may eventually consider whether its existing performance monitoring needs to be expanded in line with more active operation of low-voltage networks.

We support SAPN's comments that it will be pursuing market-based solutions in addressing DER, including using data service providers and third parties.[3] Noting that DNSPs have a role to play in managing and operating network assets, we support competitive service provision for DER and related customer-focussed energy solutions wherever possible. The AER should consider the extent to which SAPN's proposed spending is in line with this objective. There are potentially material benefits beyond the services provided by SAPN that may not be realised if the AER and SAPN are focused only on efficient investment in and operation of the distribution network.

If you would like to discuss this submission, please contact [redacted].

Yours sincerely

Sarah Ogilvie

Industry Regulation Leader

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[1] AEMC, *2018 Final report Economic regulatory framework review*, 26 July 2018.
[2] SAPN, *Supporting document 5.18 - LV Management Business Case*, 25 January 2019, pp. 10-11.
[3] SAPN, *Attachment 5 - Capital Expenditure*, 31 January 2019, p. 15