

21 October 2021

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Sent via email: [AERPricing@aer.gov.au](mailto:AERPricing@aer.gov.au)

Dear Mr Anderson

### **Submission on AER standardised model for Ancillary Network Services**

SA Power Networks welcomes the opportunity to comment on the AER standardised model for Ancillary Network Services (ANS).

We broadly support the AER's development of a standardised ANS model to use in future electricity distribution determinations, streamlining the resources and consultation required to set prices for ANS as well as consistency across proposals to the benefit of all stakeholders.

Following the AER's stakeholder workshop held on 20 October 2021, SA Power Networks provide additional feedback for consideration in development of the AER's standardised model for ANS:

- **Fee Descriptions:** The draft model does not allow for recording of fee descriptions. Inclusion of a detailed description for services will assist with stakeholder engagement, enabling stakeholders to understand what is covered by a specific fee and how a fee may vary from other similar fees listed in the model.
- **Input Fields:** SA Power Networks recommends the AER increase the number of fields available for user input within the model (e.g. table 3.7 Labour Types, 3.8 Service Categories, 5.1 On costs, 6.1 Base labour rates). This will ensure that the model continues to support the growing requirements for ANS into the future. Unused fields can be hidden if not used by the individual Distribution Network Service Provider (DNSP) in their ANS pricing proposal.
- **X-Factor:** The draft template only provides for the calculation of one X-Factor across all services. We note that for the 2020-25 regulatory period, SA Power Networks has two different X-Factors applicable for ANS. The majority of services have a consistent X-Factor, however a different X-Factor is required to be applied to Security Lighting Services due to the nature of the price build up for these services.
- **Stores/Material On-costs:** There is no allowance within the draft template for the inclusion of specific Stores/Materials on-cost rates. The on-cost drivers table appears to be more aligned

with labour on-oncosts, based on the examples provided within this table. The template should be updated to enable input of the Stores/Materials on-cost within the indirect costs input tables, providing greater transparency for stakeholders.

- **Contract Indexation Rates:** SA Power Networks delivers a number of ANS using external contractors, with the rates set through a competitive tender process. Longer term contracts will generally include some form of indexation in securing the services, this may not always align with CPI. SA Power Networks recommends inclusion a separate contract indexation rate within the model, with DNSPs able to utilise this to ensure recovery of efficient contract rates throughout the regulatory control period.
- **Confidentiality:** SA Power Networks recommends inclusion of a macro to facilitate recording of confidential data within the model and redaction of this data for publication to stakeholders. In marking data as confidential it is important to also consider the ability to back-calculate confidential data within the template. It may be necessary to redact additional data in order to protect the confidential data within the template.

If you have any queries or require further information in relation to our submission, please contact Debbie Voltz on [REDACTED] or [REDACTED].

Yours sincerely

[REDACTED]

Helen White  
Acting, Head of Regulation

