

31 October 2022

Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator (AER)
GPO Box 3131
Canberra ACT 2601

Sent via email: SAPN2025@aer.gov.au
CC: Mr Warwick Anderson, Mr Slavko Jovanoski

Dear Dr Funston,

Request to replace Framework and Approach

SA Power Networks would like to request that the AER amend or replace the Framework and Approach (F&A) to apply for the 2025-30 regulatory control period.

Since the publication of our 2020-25 F&A, we are seeing further evolution in the take-up of customer energy resources, potential new services emerging in the energy market and changes in some elements of the regulatory framework. These developments warrant changes to the F&A in several areas as briefly summarised below and elaborated on further in the attachment to this letter.

Service classification

The Australian Energy Market Commission Rule change in 2021 explicitly recognised export services as *distribution services*. We note and support the AER's F&A decision for NSW, ACT, Tas and NT distributors to treat these export services as *Standard Control Services* within the current wording of 'Common distribution services' and propose the same approach.

We also propose amendments to the treatment of large, embedded generator connections to align with the treatment of consumption connections.

Finally, we are contemplating the classification of some potential new services that customers, through engagement, have suggested they would value SA Power Networks providing.

Control mechanism

The South Australian solar feed-in tariff *jurisdictional scheme* will conclude in 2028. We recommend changes to our revenue cap control mechanism to enable any under/over recoveries from the conclusion of a *jurisdictional scheme* to be returned to customers through subsequent distribution revenue adjustments.

We have also included a tax component within our price cap formula to apply for quoted services. This aligns with the AER's most recent F&A decisions.

Incentive schemes

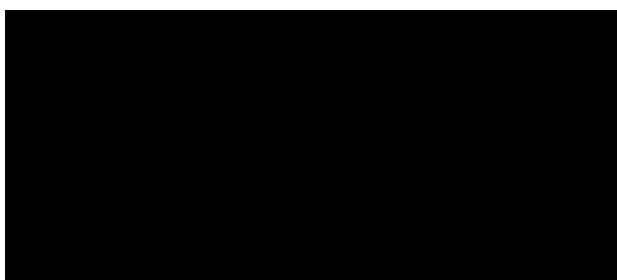
We note the AER is currently reviewing existing distributor incentive schemes (particularly the Capital Efficiency Sharing Scheme) and that incentive arrangements for new export services are under review. We are also contemplating the development of a new Customer Service Incentive Scheme to replace the Customer service component of the Service Target Performance Incentive Scheme.

The F&A should clarify the incentive arrangements that will apply in 2025-30.

We look forward to engaging further with the AER and stakeholders over the next few months on these matters.

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

Yours sincerely

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Mark Vincent
Executive General Manager Strategy and Transformation

