

Mr Sebastian Roberts
General Manager, Network Regulation
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

30th January 2015

Dear Mr Roberts,

We have provided the following brief comments which we trust will assist the AER in considering SAPNs' proposal.

1. NDSC

SAPN have claimed on page 168 of their proposal:

"SA Power Networks has not proposed any changes to the NDSC"

Yet in the Negotiating Framework ("**NF**", Attachment 18.1, Schedule 2, point 5), SAPN has stated:

"5. The price for a negotiated distribution service should be based on the costs that a DNSP has incurred or incurs in providing that service, and must be determined in accordance with the principles and policies set out in the DNSP's Cost Allocation Method." (our underline)

SAPN's current NF however states:

"5. The price for a negotiated distribution service must reflect the costs that a DNSP has incurred or incurs in providing that service, and must be determined in accordance with the principles and policies set out in the DNSP's Cost Allocation Method." (our underline)

The differences are underlined.

We have two issues regarding these clauses. Firstly, as the AER is aware, negotiations are currently being undertaken using the current Negotiating Framework (NF), so any change to the NDSC could be problematic and is not supported by TTEG on this basis. Secondly, SAPN's statement regarding "not proposed any changes to the NDSC" is incorrect. We submit to the AER that it is appropriate that the current NF applies to the next period, as after all, as claimed by SAPN on page 168 of SAPN's proposal :

"[T]he proposed Negotiating Framework 2015–20 is virtually identical in substance and structure to SAPN's Negotiating Framework 2010–15, but has been modified to reflect changes in relevant regulatory arrangements and to improve the functionality of the document and its administration."

2. Annual Prices

Negotiating Framework (NF) item 12 appears to be a new clause?

"12. Assessment and Review of Charges and Basis of Charges

12.1 SA Power Networks will annually assess and review proposed charges for the Miscellaneous Service and the basis upon which those charges are made.

12.2 SA Power Networks must make information on the assessment and review available to the Service Applicant in accordance with clause 6."

Our reading is that if clause 12 is approved by the AER, SAPN can simply change prices as they see fit? We submit that if the AER permits SAPN to adjust prices then it would be appropriate for the AER to require that "such a change will not exceed CPI" or something similar. This is similar to the requirements of the previous ESCOSA Guideline 14.

Irrespective, rather than simply making information available, SAPN should be required to demonstrate pricing compliance as per current NF item 6.1(e)

3. Connection Policy

We have not previously scrutinised SAPN's connection policy but it seems to incorporate much of SAPN's requirements (if I recall correctly) from SAPN's Distribution Code.

We are however concerned regarding the following:

- Whilst negotiation is mentioned many times in the proposed policy, we could not see any mention of the Negotiating Framework. Surely all negotiated services (which include connection) must be done compliant with the NF and SAPN's CAM?
- Should not the relevant aspects of this policy be in the NF Rather than NF rather than a reference in the NF stating "it's in the Connection Policy"? That is, it seems the wrong way around?
- Is the AER required to approve this document? SAPN have claimed on page 2 " *The SA Power Networks Connection Policy is approved by the **AER** in its distribution Determination for the 2015-20 Regulatory Control Period....*"

4. Terminology

In Part A item 3 SAPN splits Negotiated Distribution Services ("**NDS**") in to:

- a) individual (and then splits in to "connection" and "miscellaneous" services in item8!), and*
- b) Indicative Price List Service (including Public Lighting)*

SAPN uses the term "classification" for these splits. But as the AER has already "classified" SAPN's Negotiated Distribution Services ("**NDS**"), if the AER agrees with SAPN's "splitting" approach, to avoid confusion, the AER should require SAPN to use "category" or another terminology rather than "classification".

5. Vegetation

From page 19 of the AER's Issues Paper we note the following regarding vegetation.

- "Vegetation management SAPN forecast an additional \$31.9 million (\$2014–15) on vegetation management. This includes:*
- an additional \$15.3 million (\$2014–15) to remove inappropriate, fast growing or large trees.*
 - an additional \$13.5 million (\$2014–15) to implement a more frequent cutting cycle in Adelaide and regional townships.^[1]"*

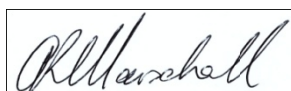
We are not in a position to comment on the quantum of SAPN's costing but submit to the AER that SAPN must be required to consult/negotiate with councils or other appropriate stakeholders regarding any such program.

Such consultation /negotiation could be conducted by adopting appropriate clauses within the Negotiating Framework, treating councils as the "service Applicant". The only differences being that SAPN would initiate the negotiation process and there would not be any requirement for councils to fund the process or SAPN's costs.

Further Information

If you require any further information, please do not hesitate to contact me directly at 03 9418 3907 or email cmarschall@tteg.com.au

Yours sincerely,



Craig Marschall
Principal Consultant

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^[1] SA Power Networks, *Regulatory proposal*, p. 260.