# SAPN Regulatory Proposal 2020-25, AER Forum 4/4/19

**Mark Henley**

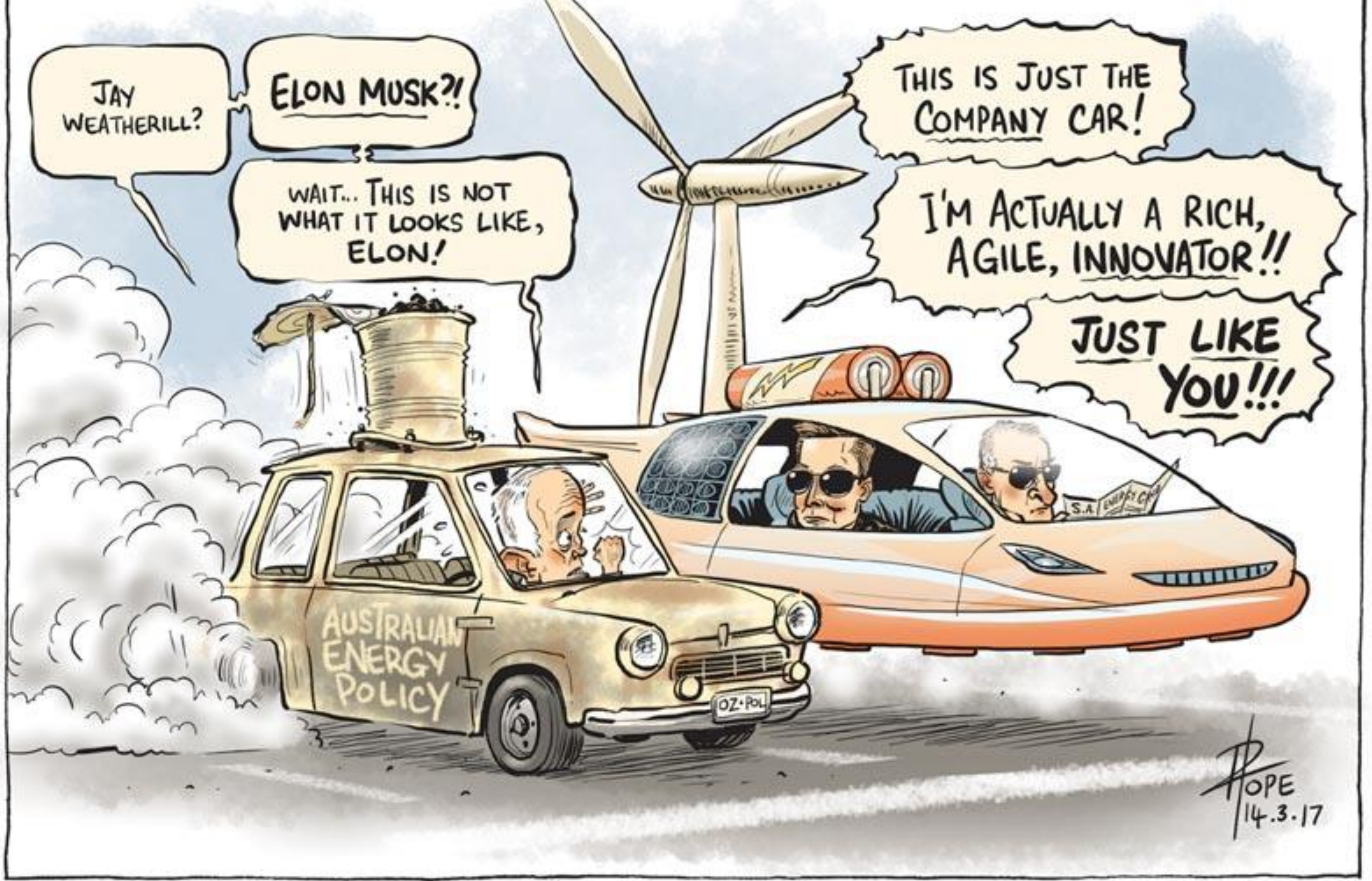
**Manager Advocacy**

**4th April 2019**

UNITING COMMUNITIES

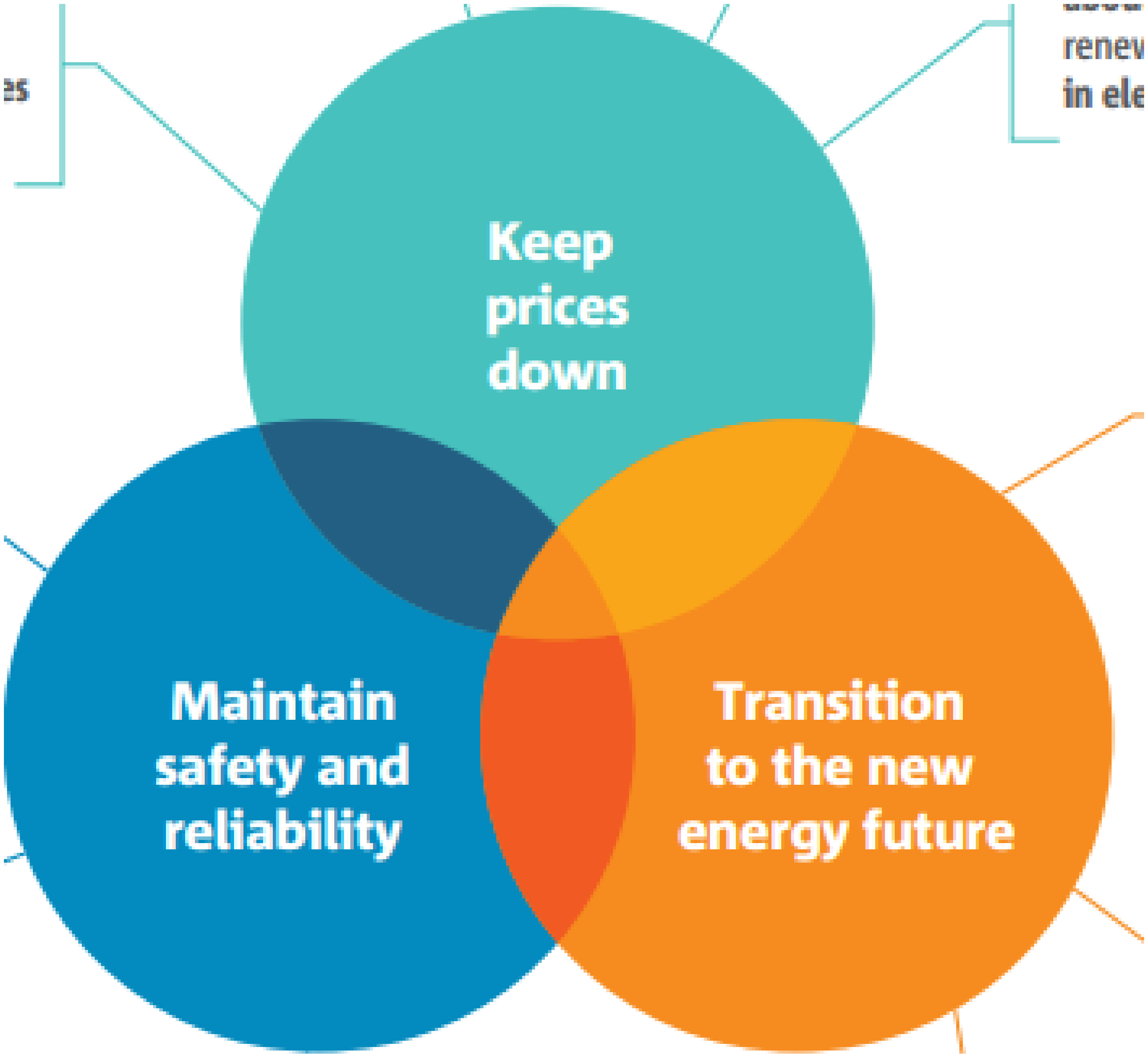
# We recognise the traditional owners of the land we meet on: The Kaurna people.

Students from Kaurna Plains school, Elizabeth


JAY WEATHERILL?
ELON MUSK?!
WAIT... THIS IS NOT WHAT IT LOOKS LIKE, ELON!
THIS IS JUST THE COMPANY CAR!
I'M ACTUALLY A RICH, AGILE, INNOVATOR!!
JUST LIKE YOU!!!
AUSTRALIAN ENERGY POLICY
OZ-POL
POPE 14.3.17


ENERGY POLICIES...
THE SA GOVERNMENT'S
WIND BATTERY SOLAR AND GAS POWER
GAS
THE FEDERAL GOVERNMENT'S
INKCINCT
2017-125P © INKCINCT Cartoons www.inkcinct.com.au

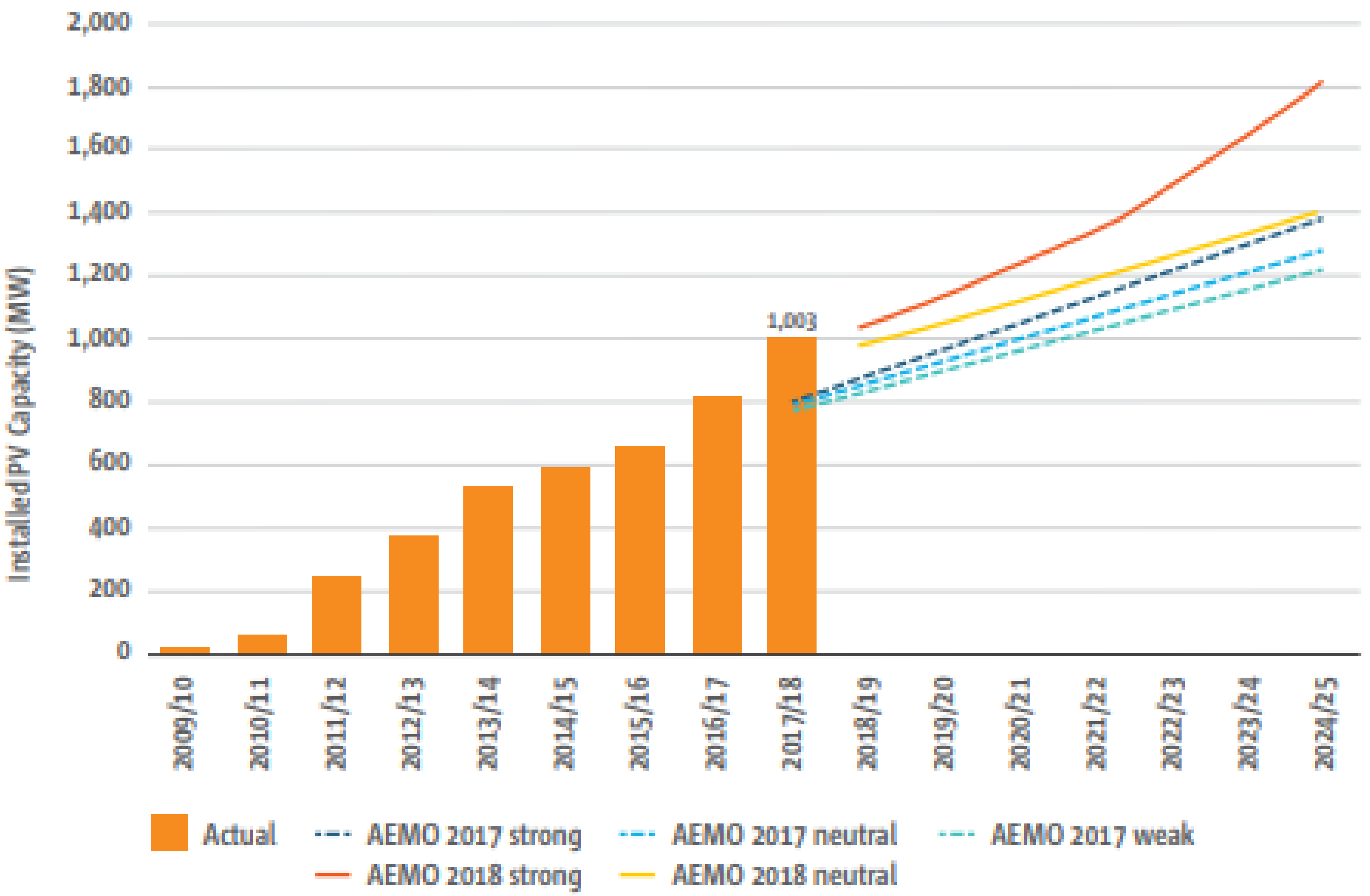
# SAPN: Balancing Competing Objectives



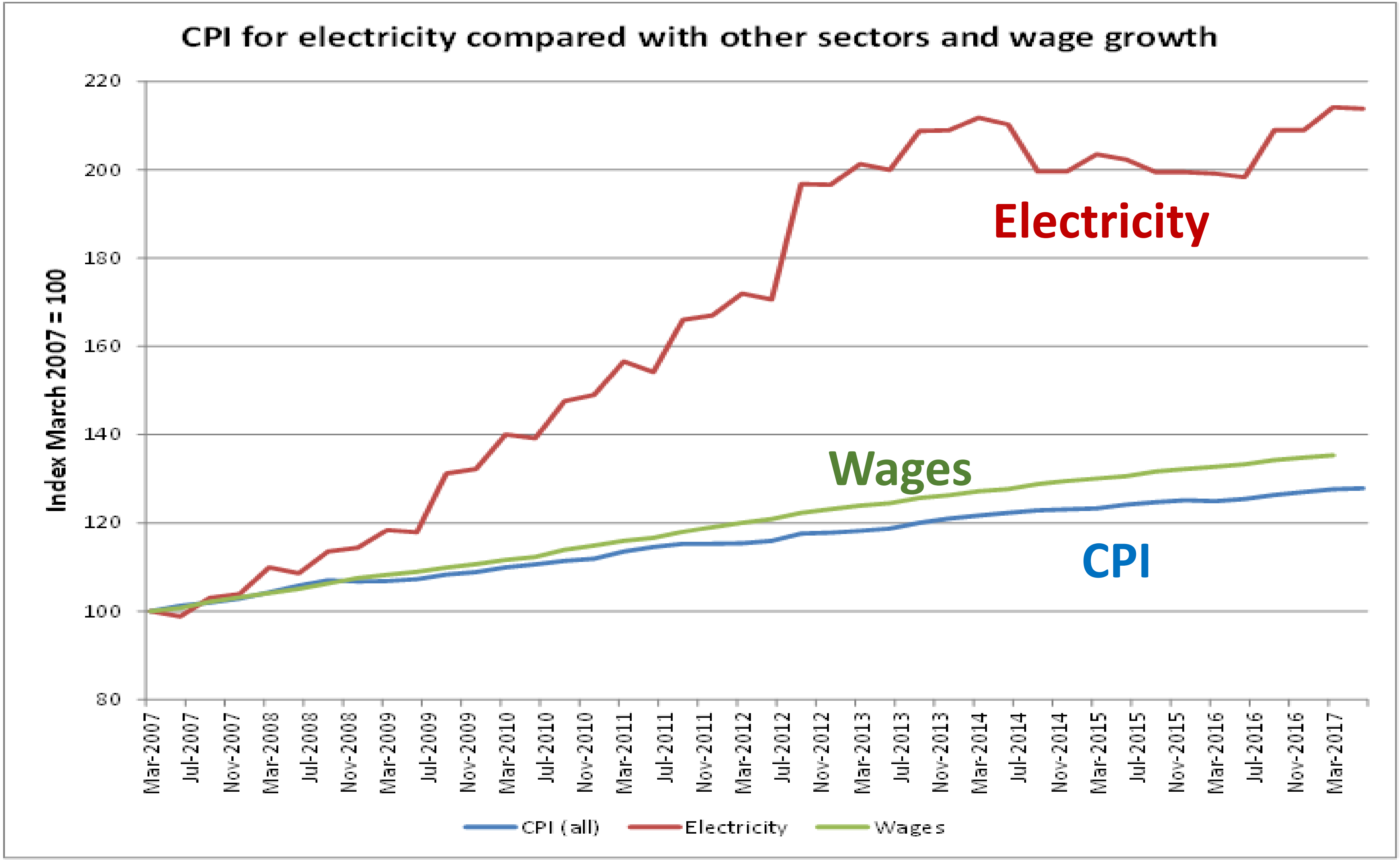

Tectonic Plates, Earthquakes, and Volcanoes
Plate Boundaries
Volcanoes
Earthquakes
Energy's
Tectonic Plates
Reliable
Sustainable
Affordable
We focus on where the plates collide

# PV uptake

Figure 1.5: Installed solar capacity and future forecasts (AEMO[8])

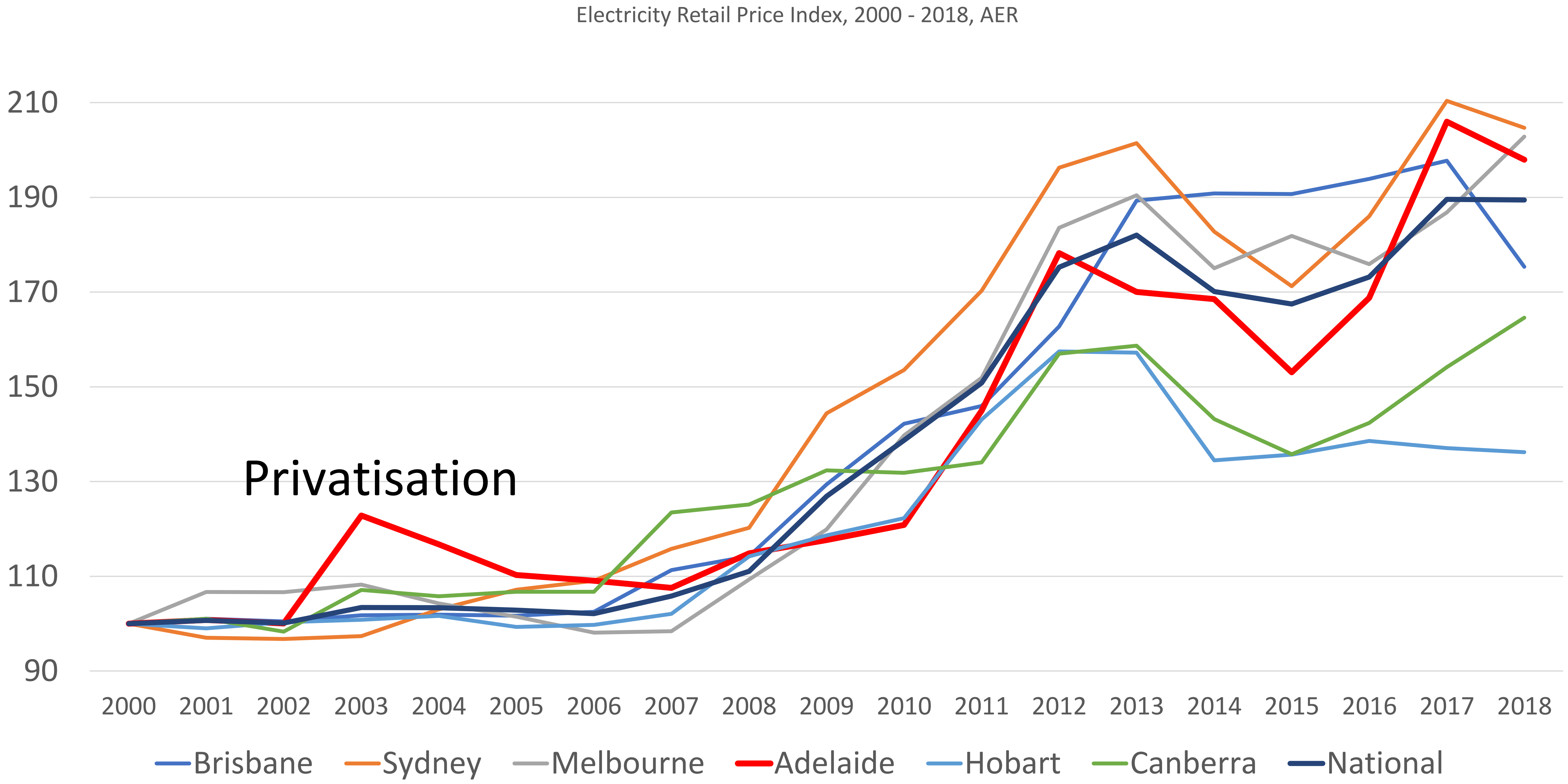


# ACCC



CPI for electricity compared with other sectors and wage growth
Index March 2007 = 100
220
200
180
160
140
120
100
80
Electricity
Wages
CPI
Mar-2007
Jul-2007
Nov-2007
Mar-2008
Jul-2008
Nov-2008
Mar-2009
Jul-2009
Nov-2009
Mar-2010
Jul-2010
Nov-2010
Mar-2011
Jul-2011
Nov-2011
Mar-2012
Jul-2012
Nov-2012
Mar-2013
Jul-2013
Nov-2013
Mar-2014
Jul-2014
Nov-2014
Mar-2015
Jul-2015
Nov-2015
Mar-2016
Jul-2016
Nov-2016
Mar-2017
CPI (all)
Electricity
Wages

# Electricity Price Changes, SA in red



# ACCC – Achievable Savings

Table 3.1 ACCC average annual residential bill savings by 2020-21 by State

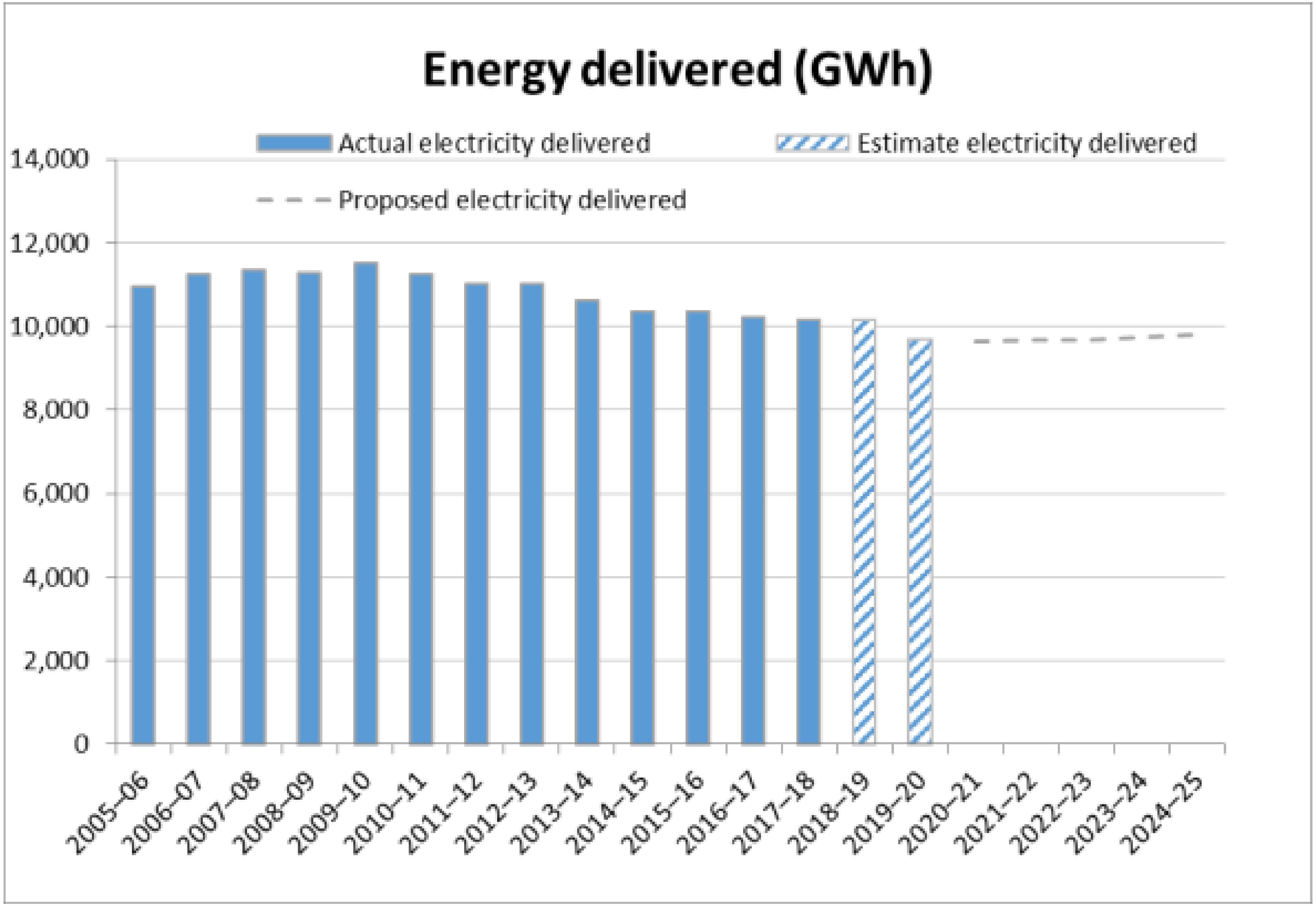
| Achievable savings ($ per annum) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Region | 2017-18 Bill | Networks | Wholesale | Enviro | Retail | Reduction | 2020-21 Bill | % Reduction |
| Victoria | 1,457 | 39 | 192 | 34 | 26 | 291 | 1,166 | 20 |
| NSW | 1,697 | 174 | 155 | 43 | 37 | 409 | 1,288 | 24 |
| South East Queensland | 1,703 | 147 | 192 | 18 | 62 | 419 | 1,284 | 25 |
| South Australia | 1,727 | $\boxed{13}$ | 227 | 89 | 42 | 371 | 1,356 | 21 |
| Tasmania | 1,979 | 113 | 226 | 75 | – | 414 | 1,490 | 21 |

# ACCC Prompted Observations

- Prices still rising for SA consumers. Electricity bills still #1 presenting issue for Financial Counselling (and other) clients
- SAPN not the main source of ACCC identifies savings, but still needs to understand customer pain
- SAPN not expected to be the source of main electricity price reductions, but still expected to do the best that they can

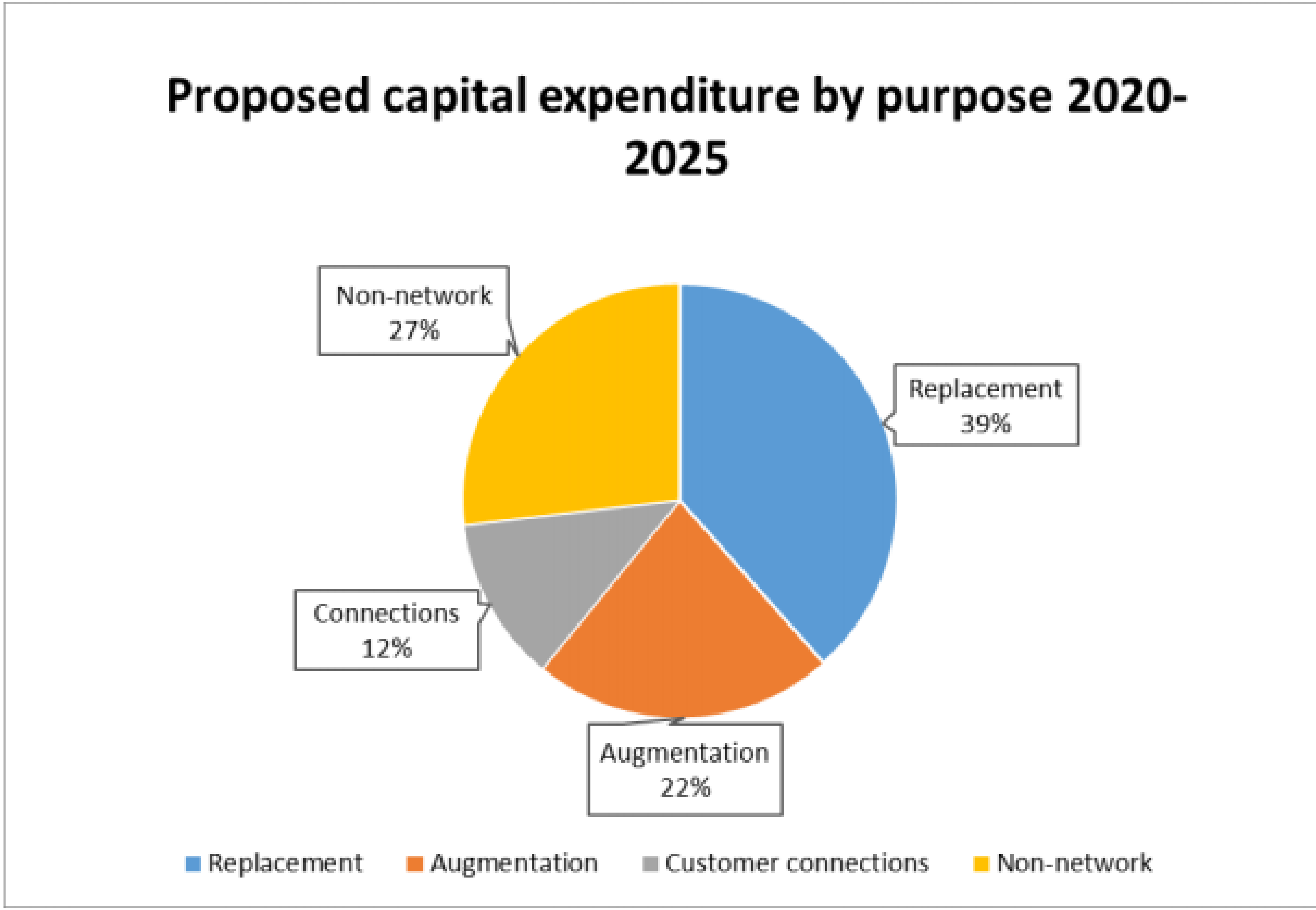
# Actual and forecast energy delivered

Lower demand than in the past, should be some benefits for consumers.




Source: SA Power Networks, *Economic benchmarking RINs*; SA Power Networks, *2020-25 reset RIN*.

# Capex

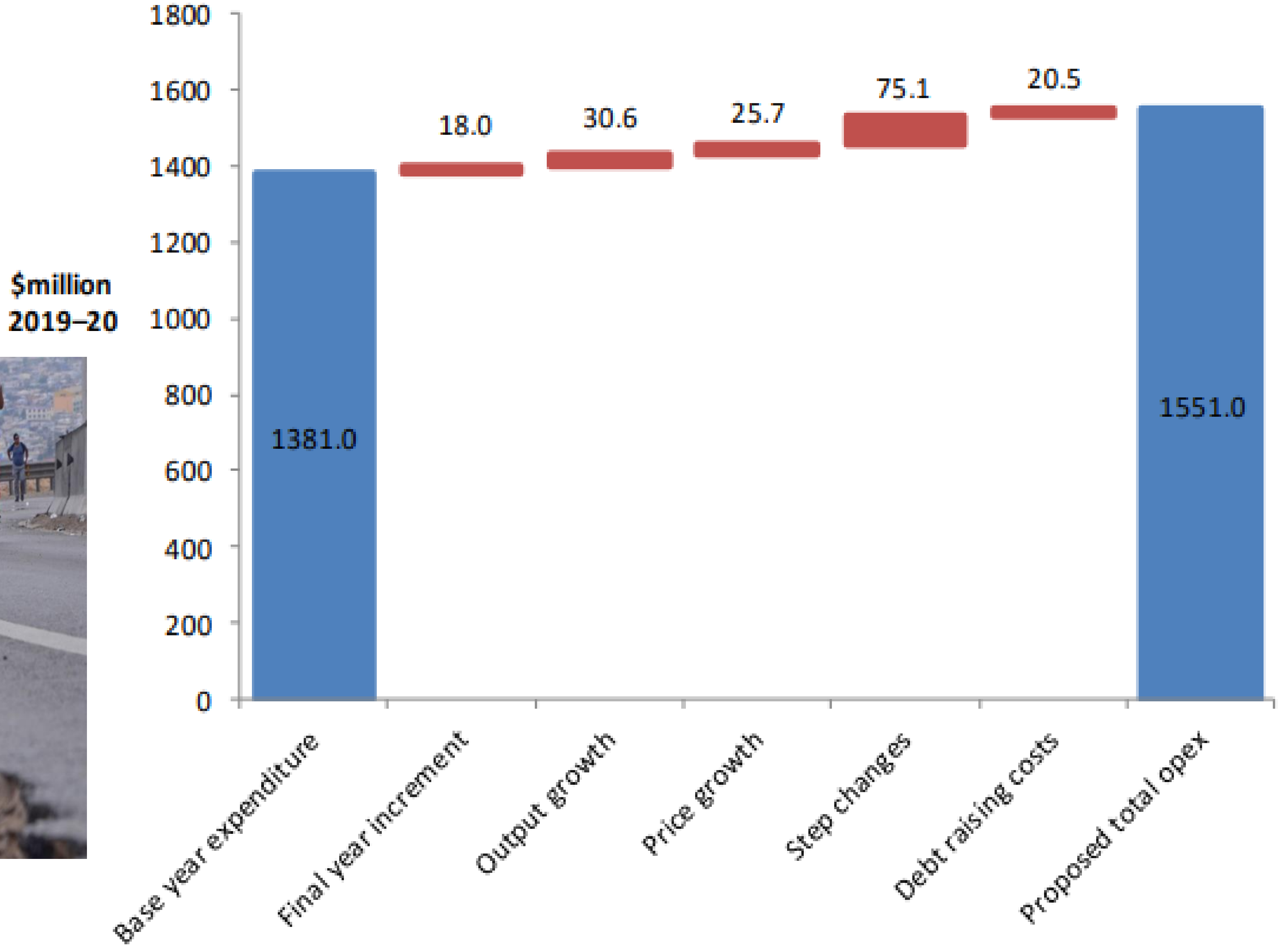



Source: AER analysis; SA Power Networks, *Regulatory Proposal Attachment 5.*

# Connections

- 2015-20 is the first reg period using the NECF connection arrangements of Chapter 5A of the NER.
- Does not appear that any review of performance to date.
- SAPN has proposed a revised Customer Connection Policy (Attachment 16) and a capital expenditure program for connections of $213m net of customer contributions ($563m gross, Attachment 5).
- Changes to the classification and process are proposed – See Issues Paper 8.4
- Connections costs: proposal > current period > draft plan
- But … no evidence of stakeholder engagement on connection issues

# Opex




Source: AER analysis; SA Power Networks, *2020–25 Reset RIN.*

# Opex, Proposed Step Changes

| | 2020–21 | 2021–22 | 2022–23 | 2023–24 | 2024–25 | Total |
|---|---|---|---|---|---|---|
| Cable and Conductor minor repair | 14.2 | 13.5 | 13.5 | 13.5 | 13.5 | 68.2 |
| Critical Infrastructure Compliance | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 12.1 |
| Cloud transition—Hosting | 1.0 | 1.2 | 1.6 | 1.7 | 1.8 | 7.2 |
| Cloud transition—Scheduling | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 3.8 |
| LV Management | – | 0.4 | 0.9 | 1.1 | 1.3 | 3.8 |
| GSL Reliability | (4.0) | (4.0) | (4.0) | (4.0) | (4.0) | (19.9) |
| **Total** | **14.3** | **14.3** | **15.3** | **15.5** | **15.8** | **75.1** |

Source: SA Power Networks, *2020–25 Regulatory Proposal Attachment 6.*

# Opex

More work needed:

- Productivity
- Step Changes
- IT

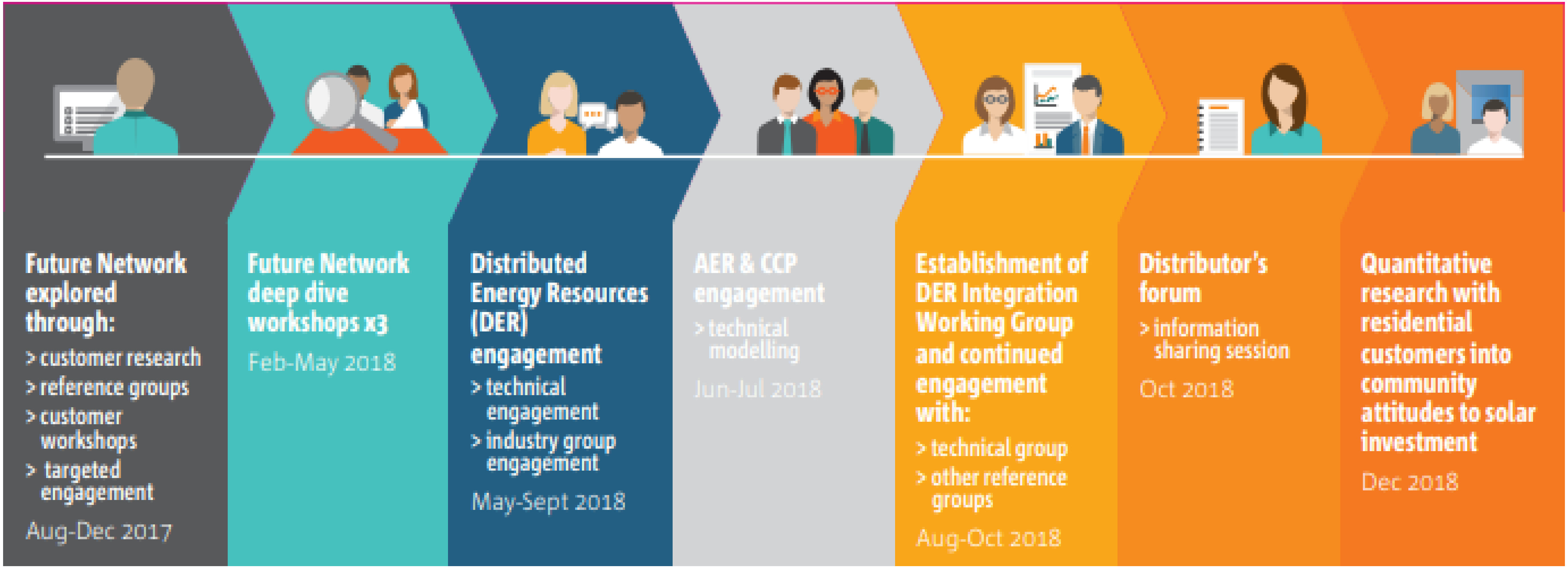
# TAX

This is the hard one!

- New AER Guideline, this is good
- SAPN seems to have been impacted more than other db’s?
- SAPN responses impact opex, capex, depreciation etc
- More thinking and discussion needed before revised revenue proposal

# SAPN Future Network Engagement – to December 2018

Figure 5.3: Future Network engagement

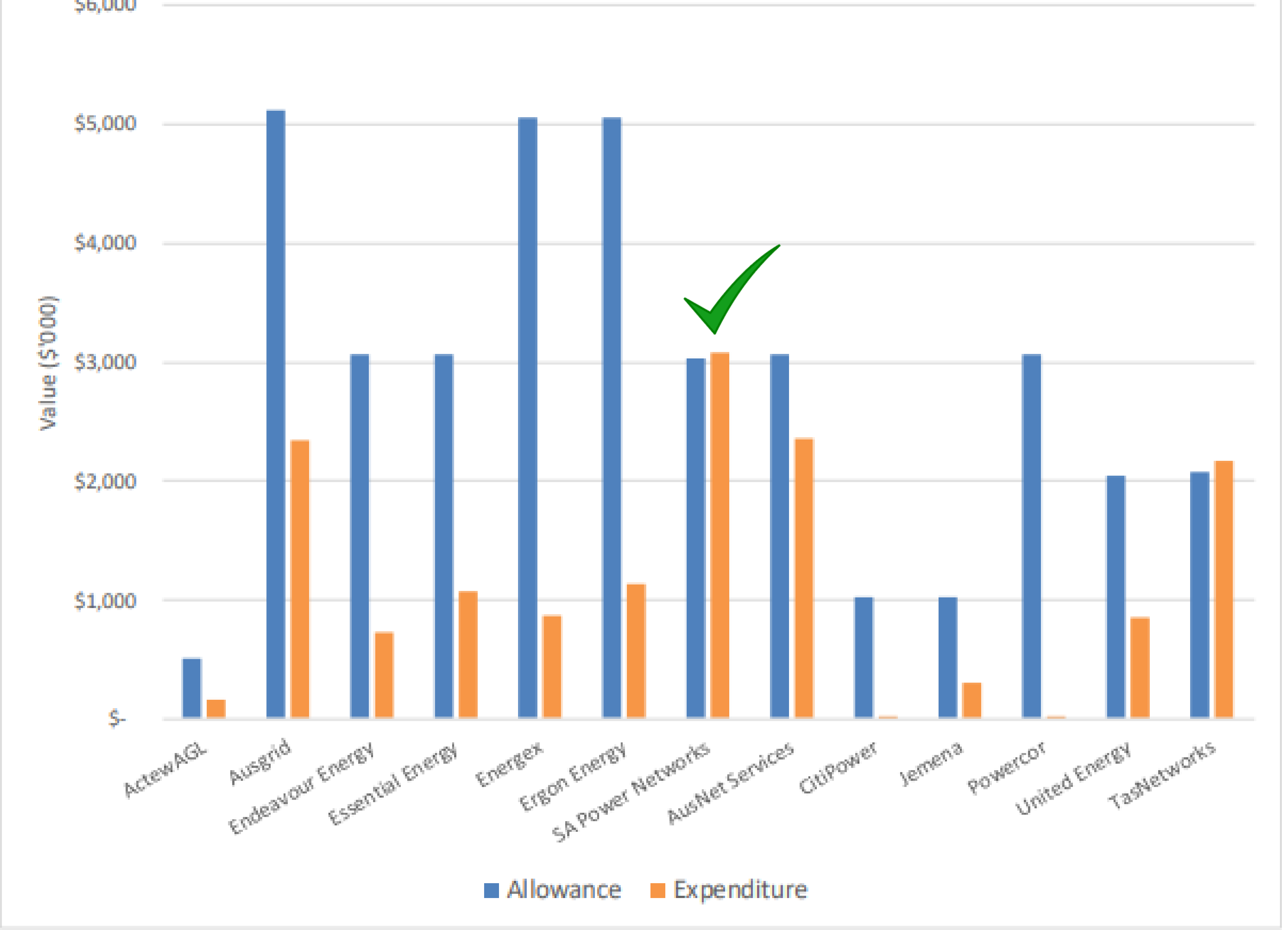



Need future, Future Network Engagement plan –

shared challenges, Shared Solutions

# DMIA 2016/17.

*AER Data*

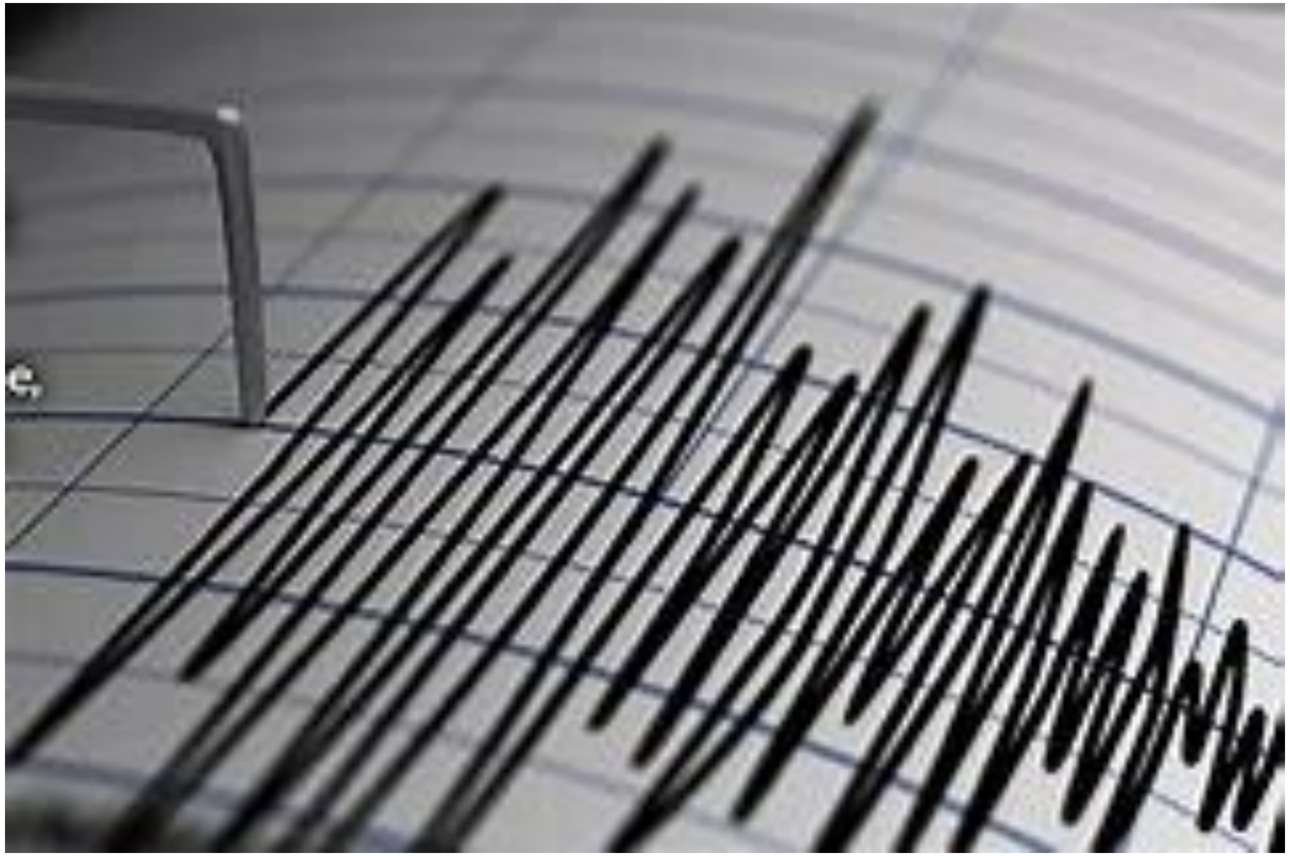


# Summary Response to SAPN Reg proposal

SAPN efforts to bring prices down appreciated, but can they do better still?

Seems to be room to move on:

- Opex productivity,
- IT,
- non-network capex,
- tax
- maybe connections,
- maybe tariffs



UNITING COMMUNITIES

# SA Leading the World,
# no roadmap -  shared solutions