

SA Power Networks
2025-30 Regulatory Proposal

1 February 2024

SA Power Networks

Acknowledgement of Country

SA Power Networks acknowledges the multiple Traditional Owners of the lands that host the South Australian electricity network and their connections to land, sea and community. We would also like to pay our respects to Elders past and present, and acknowledge that these are living cultures.



Empowering South Australia, 2023
by **Presten Warren** (b. 2000)

Purpose

To outline:

- the key elements of our 2025-30 Regulatory Proposal; and
- how we have responded to feedback; and

to restate our thanks to all stakeholders who have helped shape our plans and forecasts that underpin our Proposal



Agenda

Reset process recap

2025-30 operating environment

Our Draft Proposal, feedback and how we have responded

A deep dive on some specific concerns of stakeholders

2025-30 forecasts

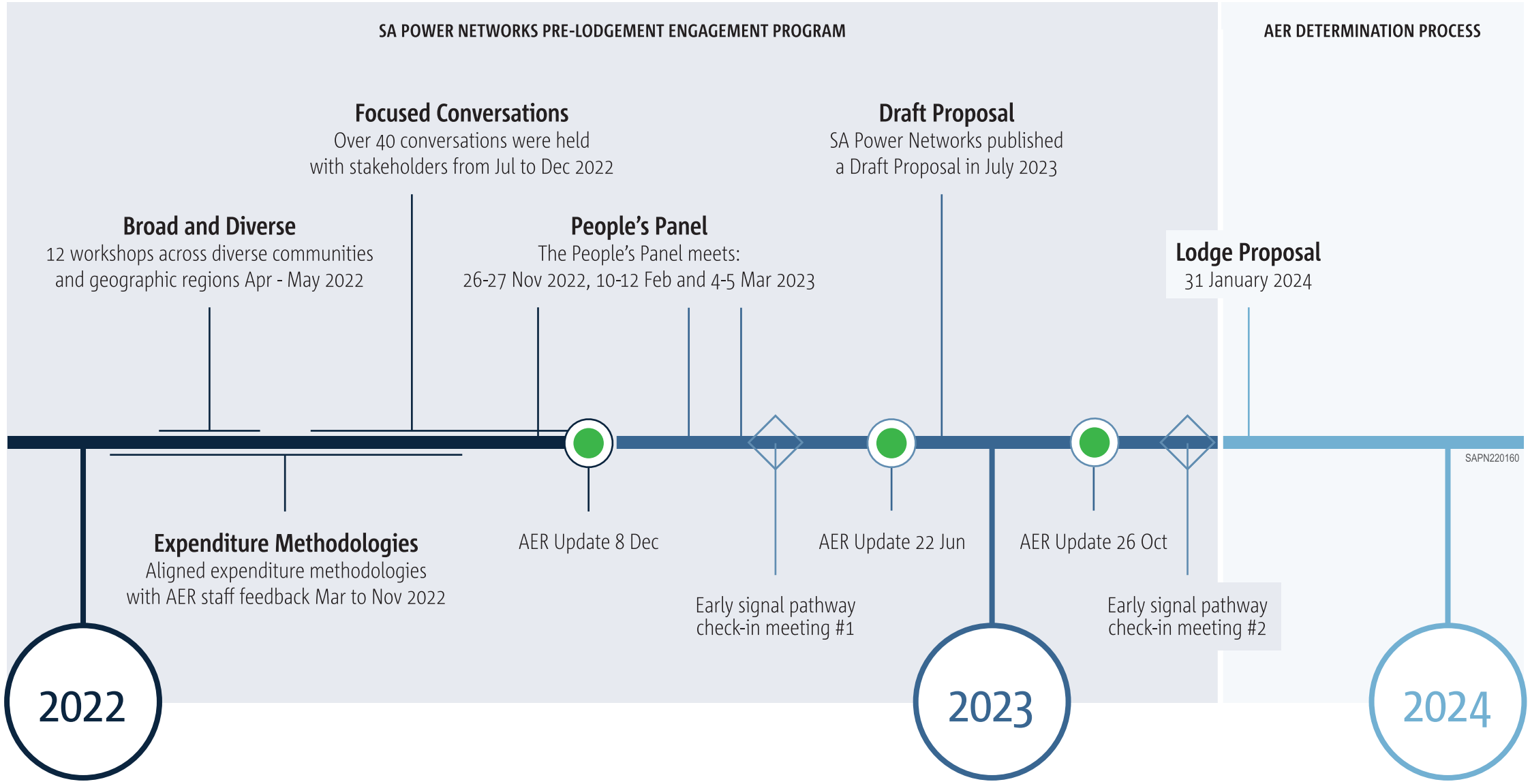
Customer impacts

2024 milestones

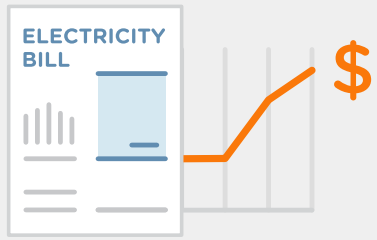
Questions



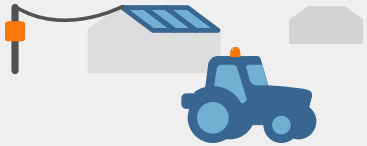
A recap of our process...



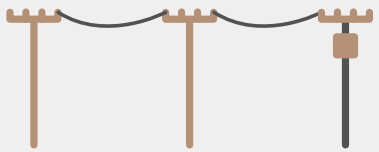
Our industry is experiencing some of the most dramatic shifts in decades



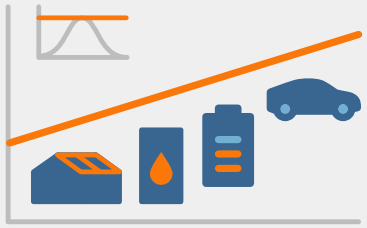
Energy affordability



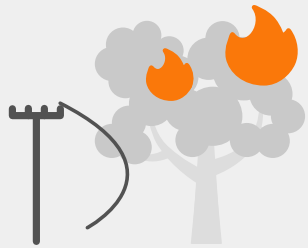
Reliability and resilience for regional and remote communities in SA



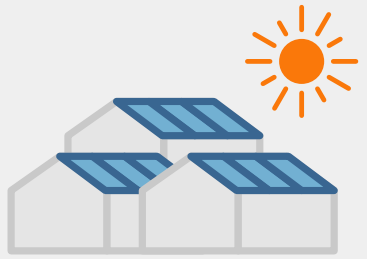
Oldest distribution assets and lowest replacement rates



Electrification driving peak demand growth



Extreme bushfire risk

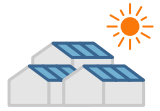


World leading Customer Energy Resources uptake

But this also presents tremendous opportunities

Over the coming decades, more customers investing in renewable options like electric vehicles, solar and batteries will dramatically drive down energy bills for all customers.

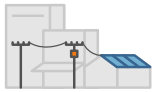
South Australia is uniquely placed to capture this opportunity with:



World-leading **rooftop solar take-up**



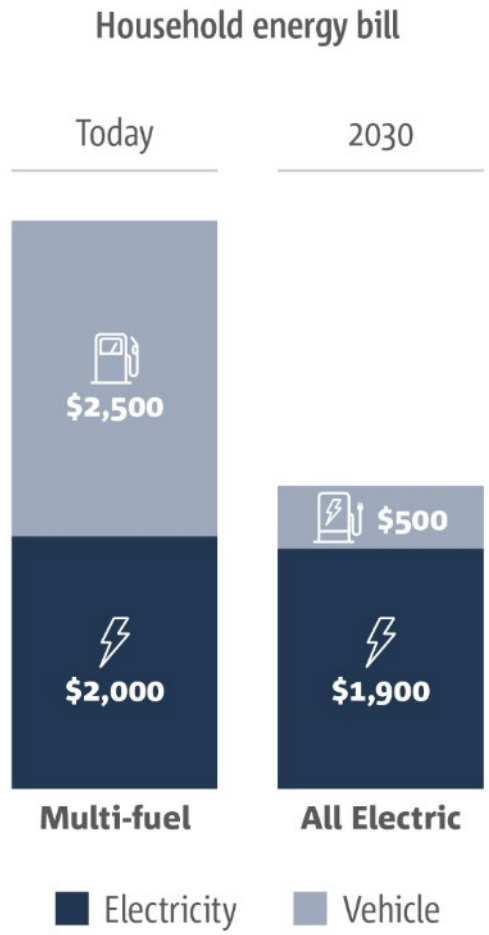
Vast **renewable** resources



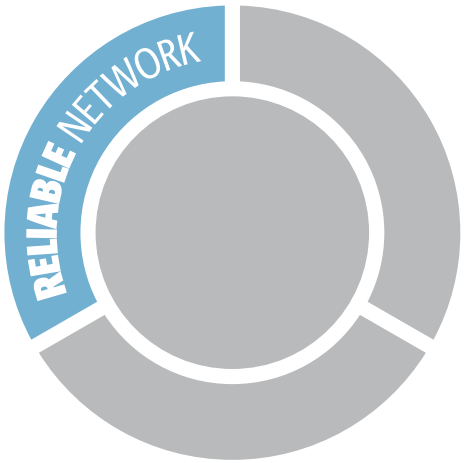
Sufficient **network capacity** to host customers' new applications with minimal upgrades



Aligned **community and stakeholders**



Four key themes framed our Draft Proposal



A reliable, resilient and safe electricity network



Customer experience, choice and empowerment



Enabling clean energy and unlocking future value for our state

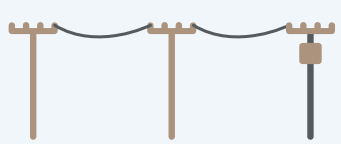


Affordable and equitable energy supply

Theme 1: A reliable, resilient and safe network

Keep the lights on and minimise the risk of public harm from the failure or operation of network infrastructure.

Oldest distribution assets and lowest replacement rates

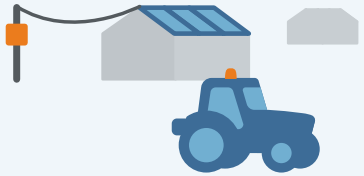


Average regional reliability and state-wide bushfire risk maintained

Increase replacement expenditure by $198m (to $929m) to address the deterioration of network assets to maintain current bushfire safety risk and geographic region reliability service levels

Continued investment in Assets & Work program to deliver network investment more efficiently

Reliability and resilience for regional and remote communities in SA



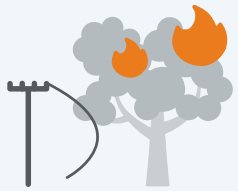
Targeted reliability and resilience improvements to worst served customers

Targeted programs:

- restore CBD reliability to regulated target ($91m)
- improve reliability for our worst serviced customers in regional areas where economic ($34m)

New mobile generators to reduce impact of long duration outages for regional/remote customers ($17m)

Extreme bushfire risk



Enhanced bushfire risk management

Targeted programs to reduce the risk of bushfire where economic and reduce the impact of emergency power shutoffs ($26m)

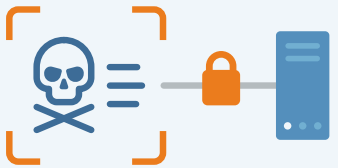
Electrification driving peak demand growth



Electrification supported and system security maintained

Powerline and substation upgrades to maintain system security in light of increased customer demand ($521m)

Increased cyber threats



Cyber security resilience increased

New measures to exceed Australian Energy Sector Cyber Security Framework obligations by 2030 ($54m)

Property and Fleet upgrades to support future work program



Fleet and properties upgraded

Fleet and property upgrades (including new vehicles and depots) to meet the additional capacity required for the proposed network work plan ($255m)

New transformer workshop ($27m)

Theme 2: Customer experience, choice and empowerment

Be easy to deal with and provide accurate information to help customers navigate the complex choices in responding to the new energy future.

Desire for more timely, accurate and personalised online services



Integrated customer portal

Multiple legacy customer facing solutions replaced with a consolidated, secure and fit for purpose portal ($38m)

Outcomes for customers:

- more accurate and timely outage and electricity supply information
- accessible and seamless online experiences
- cyber risk and customer data securely managed
- real-time solar and network constraint information

Focusing on what matters

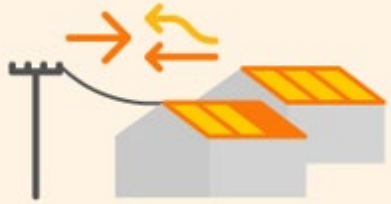


New Customer Service Incentive Scheme

New scheme to incentivise:

- resolving customer enquiries on the first customer contact
- providing more timely information on outage restoration progress

Incentives for efficient large-scale connections



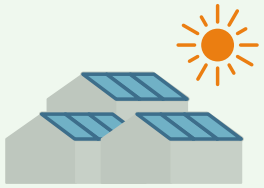
Refined Connections Policy

Connections policy changes to introduce firm and flexible load and/or export pricing methodologies for new connection services to support a two-way network

Theme 3: Enabling clean energy and unlocking future value for our state

South Australia is leading the world in the transition to renewable energy and our distribution network plays a central role in enabling this transition. Better supporting clean energy is fundamental to mitigating climate change, and over the long-term, will result in significant reductions to customers' energy bills.

World leading Customer Energy Resources uptake

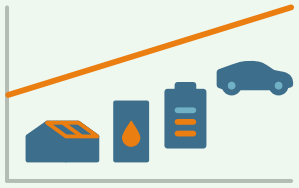


Increased capacity for solar

Network upgrades to keep solar curtailment below 5% for most customers ($77m)

Increased compliance focus ($6m)

Electrification driving peak demand growth



Encouraging flexible loads

New services to enable and reward load flexibility and smart EV charging ($15m)

Decarbonisation of our fleet



Transitioning our fleet to EVs

A gradual, cost-neutral approach, phasing in EVs as it becomes economic to do so ($8m)

Theme 4: Affordable and equitable energy supply

Affordability of energy and the rising cost of living is an issue affecting many of our customers, and is a topic of considerable national and state debate.

Affordability as a continuous lens



Customers experiencing vulnerability and their advocates well represented at every engagement stage

Customers understood total bill impacts of their recommendations at every stage

Internal challenge to deliver customer outcomes as efficiently as possible

Overall service/price balance deliberated on and agreed by the representative People's Panel

Customer guidance on affordability



Customers recognised the opportunity presented by:

- SA Government PV FiT scheme expiry in 2028
- lower depreciation allowances
- energy transition and electrification

Customers therefore supported expenditure increases to maintain service levels and enable the energy transition

However, they recommended only modest, targeted service enhancements where there was significant customer value and support

Solar export tariff



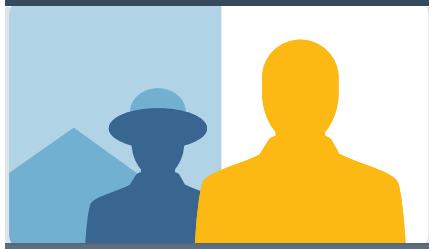
Proposed introduction of a solar export tariff to more equitably share the costs of enabling continued take-up of solar PV between customers who do and don't have solar

Our advocacy role



Customers encouraged SA Power Networks to continue to advocate for improved outcomes for customers experiencing vulnerability

Knock before you disconnect



$0.3m per annum program to support customers avoiding disconnections

Feedback on the Draft Proposal

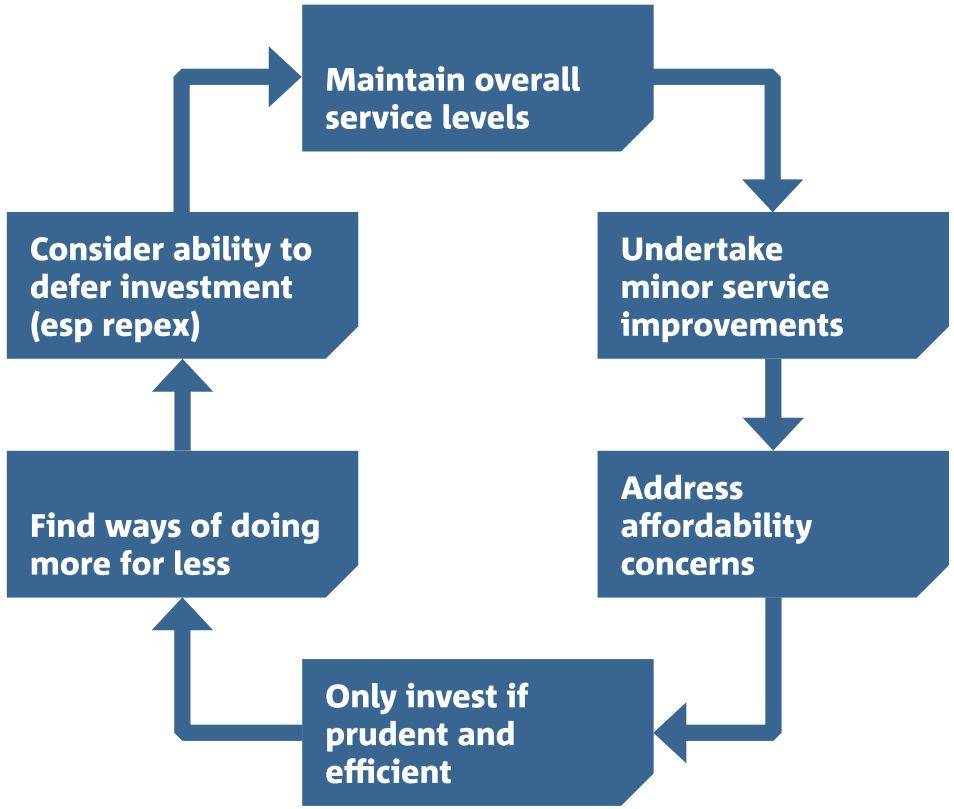


Draft Proposal feedback

- 25 submissions representing a broad cross-section of our customers and stakeholders
- People's Panel representatives confirmed that the Draft Proposal reflects their recommendations, and they remain appropriate
- Several stakeholders have very specific issues that we will address individually
- Diverse views on introduction of Export Tariffs
- Several stakeholders (SACOSS & SA Department of Energy and Mining) recommended affordability & the price/service balance be reconsidered
- Support for vulnerable customers highlighted as a priority by several consumer representatives

How we responded to stakeholders

What we heard on our Draft Proposal



How we responded

Maintain overall service levels	› All service levels unchanged › Minor change to resilience scope to ensure only investing efficiently › Moved to a risk prioritised rather than compliance task driven approach to ICT cyber security
Lowered costs further	› Iterated costs down through all engagement stages, despite facing several externally driven scope increases › Taken greater risk on productivity assumptions › Self-funding vulnerable customer programs › Revised forecasts via external technical challenge › Taken on more risk by deferring some repex

Affordable and equitable energy supply

Feedback Received	Our response
Majority support for price-service balance proposed **Affordability and wider cost of living remain ongoing concern – SA Power Networks should consider further ways to support vulnerable customers** **Mixed views on export tariffs**	We are maintaining the service levels as proposed in our Draft Proposal (DP). Continued the downward trajectory of our total expenditure forecast iterations, with a further $10m reduction, despite some scope increases driven externally by market reviews and government directives. This was achieved by: ▪ further internal and external challenge driving refinements in estimates and modelling ▪ revised approaches to ensure investments are efficient ▪ not including expenditure the Vulnerable Customer Assistance Program and Knock Before You Disconnect service from customers, while still pursuing these programs ▪ making stronger productivity commitments now total nearly $100m We included costs to comply with an expected new SA Government obligation to introduce a new small claims and damages scheme ($20m). We are proposing revenue smoothing to minimise price increases in first three years. We are proposing new solar tariffs from 1 July 2025 for cost reflectivity and equity. We will continue to advocate to improve outcomes for customers experiencing vulnerability. We are now a full signatory to the *Energy Charter.*

A reliable, resilient and safe network

Feedback Received	Our response
Support for: • **maintaining reliability by region and state-wide bushfire risk** • **restoring CBD reliability** • **targeted resilience investment** • **improving reliability for worst-served customers** • **reducing bushfire risk where economic** • **deferring discretionary spending on system security** **Mixed views on investing in cyber security above AESCF**	Service levels remain as per the draft proposal: ▪ replacement expenditure to maintain asset condition based risk to reliability (by region) and safety (incl. bushfire risk) – slight cost increase from updated CBD cable costs, despite removing some works which were deemed not efficient for 2025-30; ▪ targeted augmentation expenditure to improve resilience, and improve reliability for worst served customers (in regional areas). Resilience program lowered to ensure efficiency; ▪ Augmentation and replacement expenditure to bring CBD reliability to standard. ▪ targeted augmentation expenditure program to minimise bushfire risk and impact of public safety power shutoffs; ▪ augmentation expenditure to increase network capacity to meet customer demand and security. Revised approach by including probabilistic analysis that defers some investment beyond 2025-30; and ▪ ICT expenditure to enhance controls and maintain cyber security to increasing threats. Approach revised with lower costs, by taking a risk prioritised and customised approach to selection of controls required. Evidence provided shows each service level is prudent and efficient for customers with benefits outweighing costs.

Customer experience, choice and empowerment

Feedback Received	Our response
Support for more timely, accurate and personalised online services	We will replace multiple legacy customer facing systems with a consolidated secure and fit for purpose solution and update our website. Since our DP, more of these solutions will be delivered through SaaS (opex).
Mixed views on our proposed Customer Service Incentive Scheme	We are proposing a new Customer Service Incentive Scheme as per our Draft Proposal. The scheme will incentivise resolving customer enquiries on the first customer contact and providing more timely information on outage restoration times.
Support to update our Connection Policy to accommodate more renewable energy	Our Connections Policy has been updated to cater for firm and flexible load connections and for flexible generation connections to support the 2-way network.
While recognising the industry is complex and customers seek an independent, trusted energy advisory service this is not a role for SA Power Networks	We will continue to advocate for establishment of an enhanced energy advisory service through the SA Government's Green Paper process.

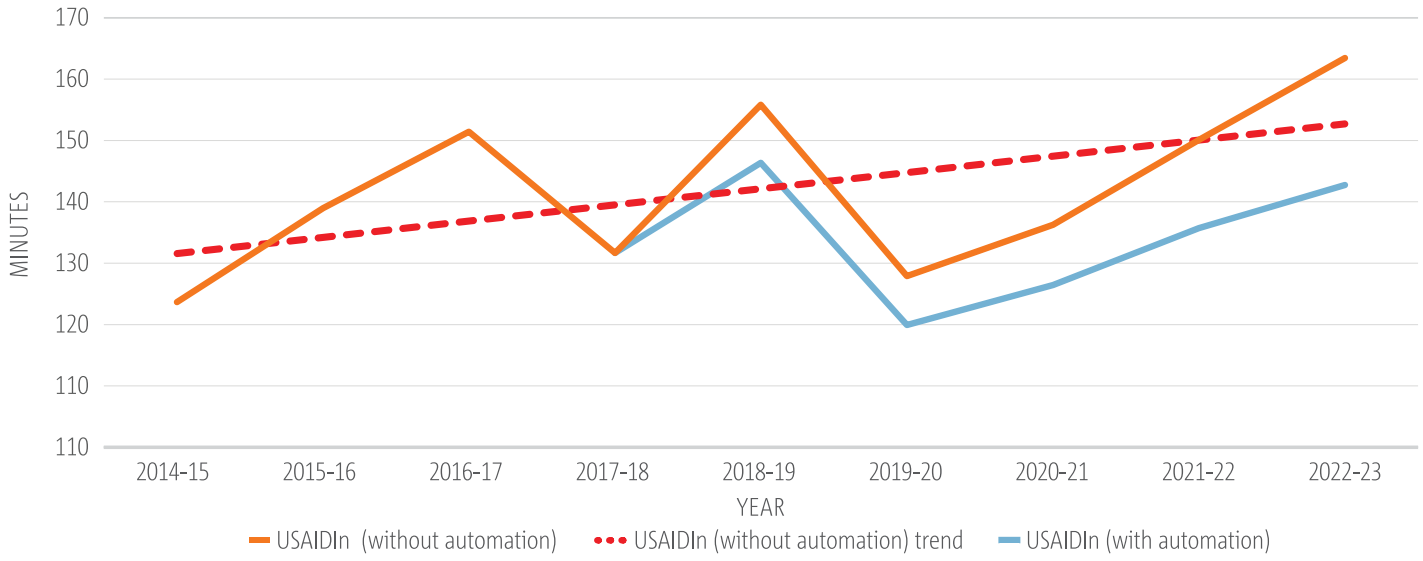
Enabling clean energy and unlocking future value for our state

Feedback Received	Our response
Support for maintaining the 95% level of export service to support the energy transition **Support for investing to enable flexible demand** **Support for an economic transition to EVs to support decarbonisation** **Mixed views about the introduction of an export tariff from strongly supportive to not supportive**	We retain key programs: ▪ CER integration expenditure to maintain an export service level of 95%, with costs refined down via internal and external modelling review ▪ Expenditure to extend capabilities for flexible export management to cover load (demand flexibility) ▪ Transitioning to EVs only where it is most cost effective than internal combustion engine vehicles We also retain our intent for all Export Customers with systems up to 30kW in capacity will be assigned to an export tariff from 1 July 2025. Included a new program (flagged in the Draft Proposal) to improve 'network visibility' by acquiring and processing voltage and other power quality data now expected to be available from a faster rollout of smart metering to efficiently manage operations, CER hosting capacity, and improve safety.

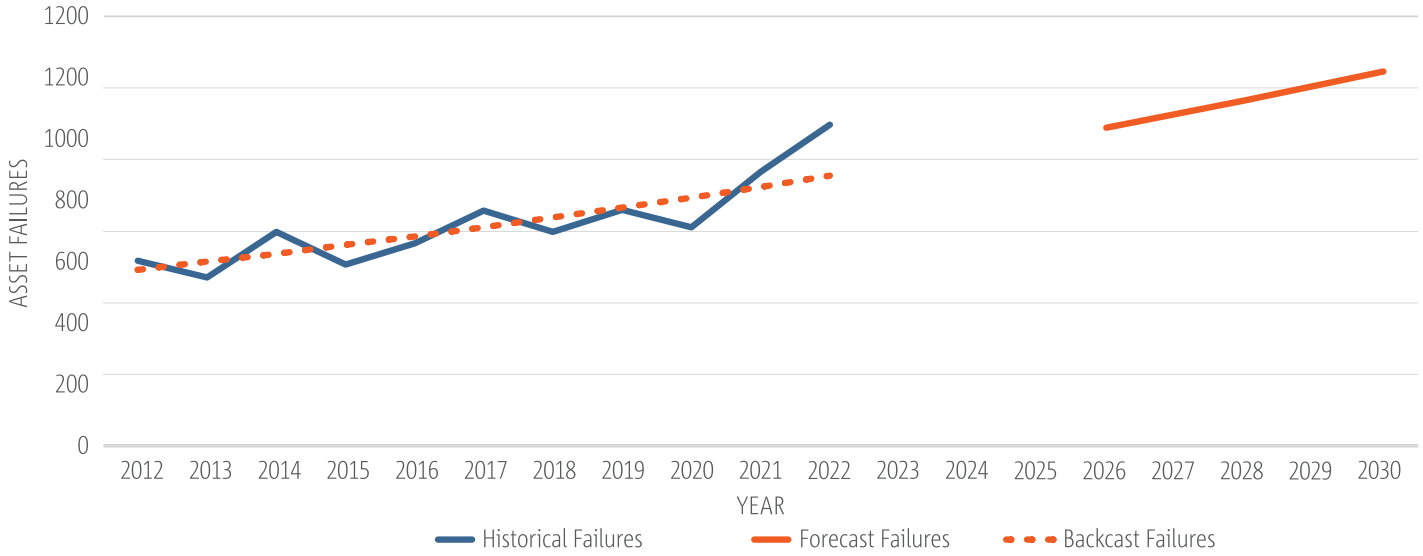
A deep dive on key concerns raised by stakeholders



Underlying network & asset performance is deteriorating

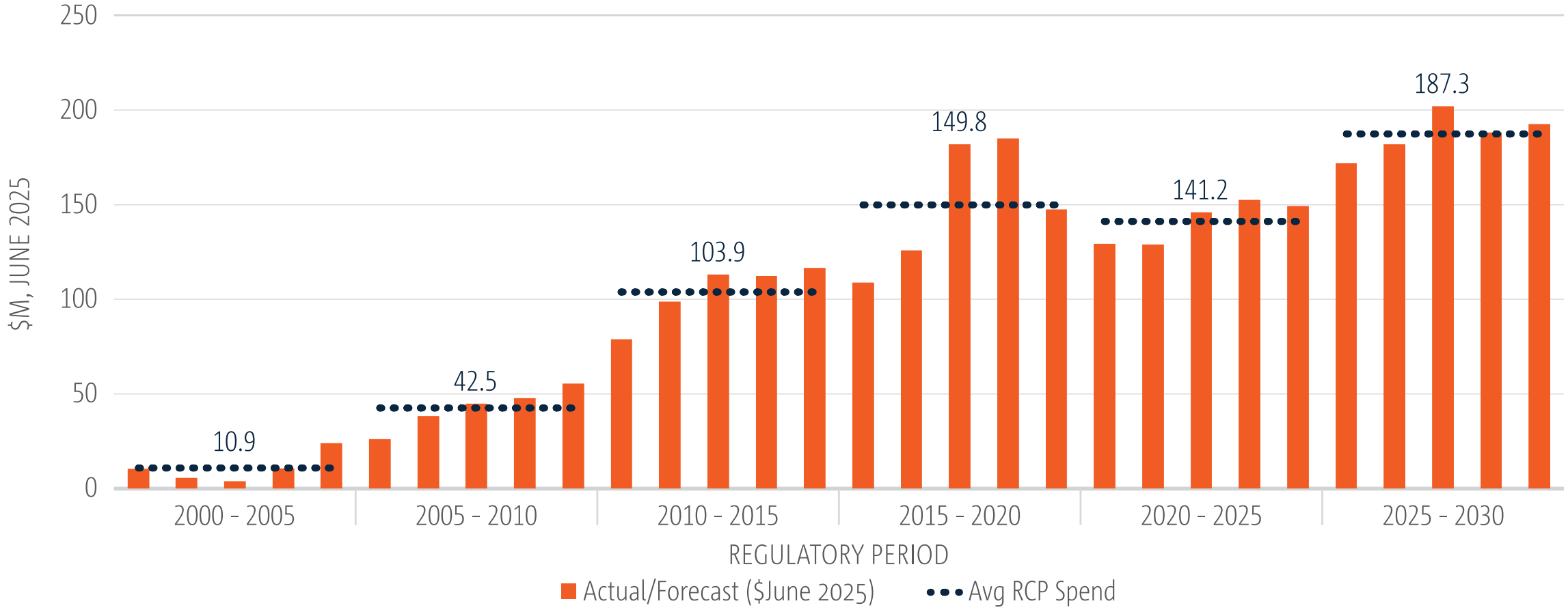


- **Underlying reliability has deteriorated** over the last two regulatory periods, although this has been masked by investment in network automation

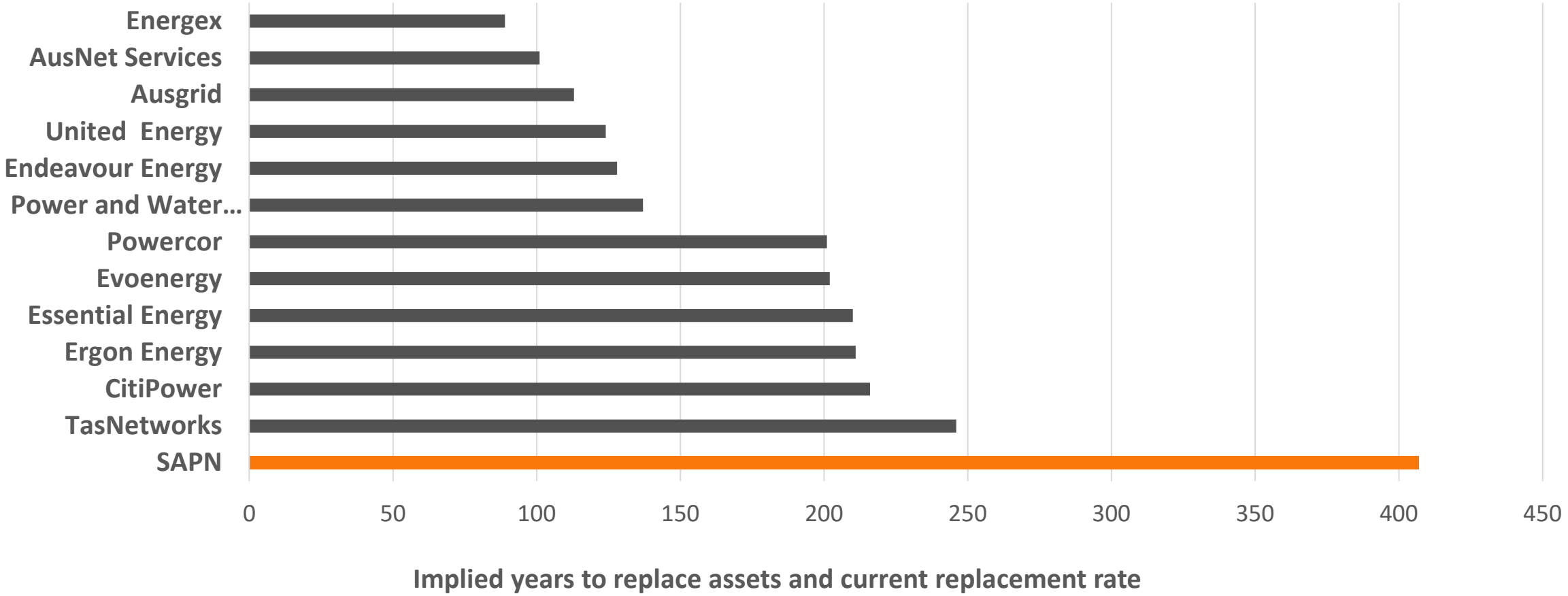


- **Failure rates in key asset classes have also increased**
- This data has been used to forecast future failures in our risk-cost model
- Backcasting using the same model provides confidence in forecast accuracy

This deterioration has occurred despite a continued repex ramp-up



Which is still significantly behind the replacement rates of our peers



Without additional capex, performance will continue to deteriorate

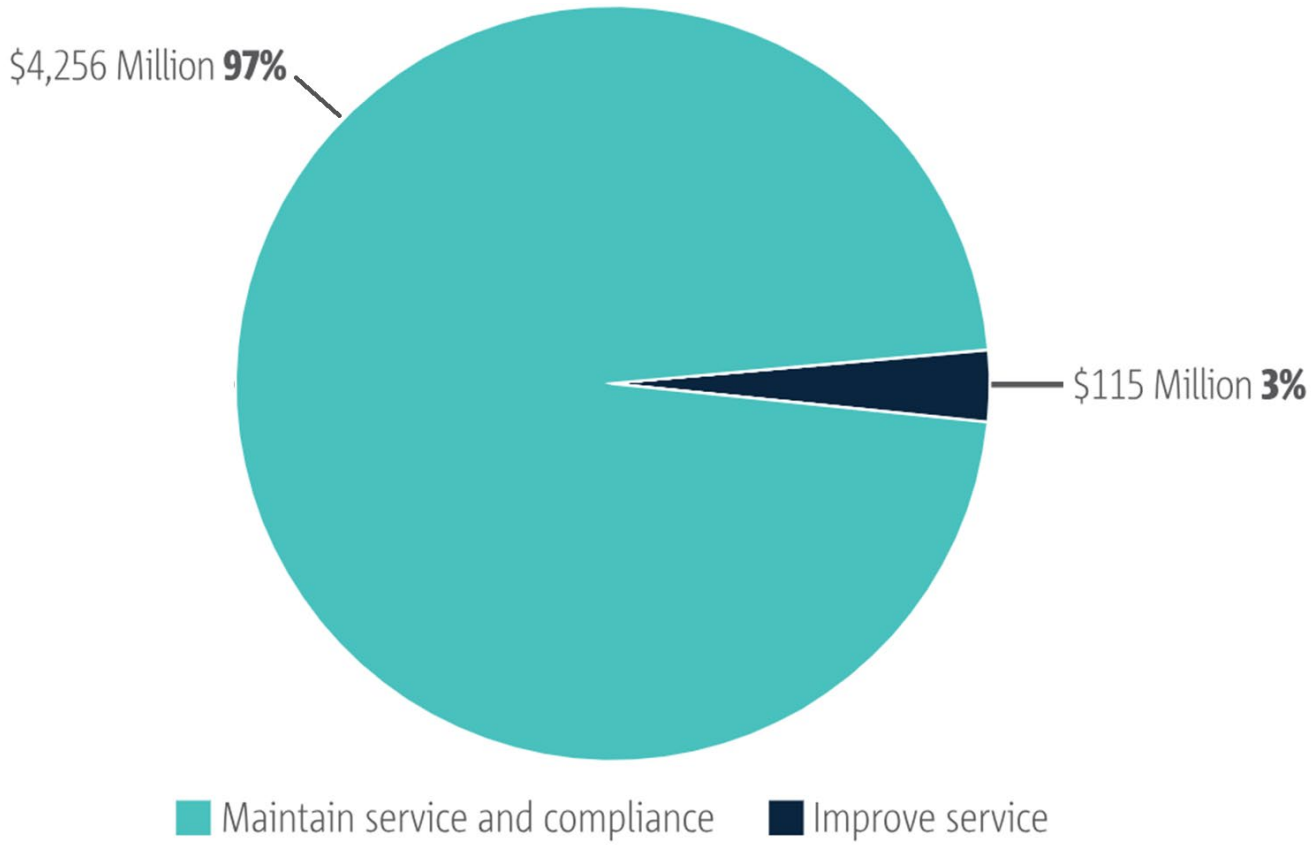


The majority of our Proposal purely maintains performance

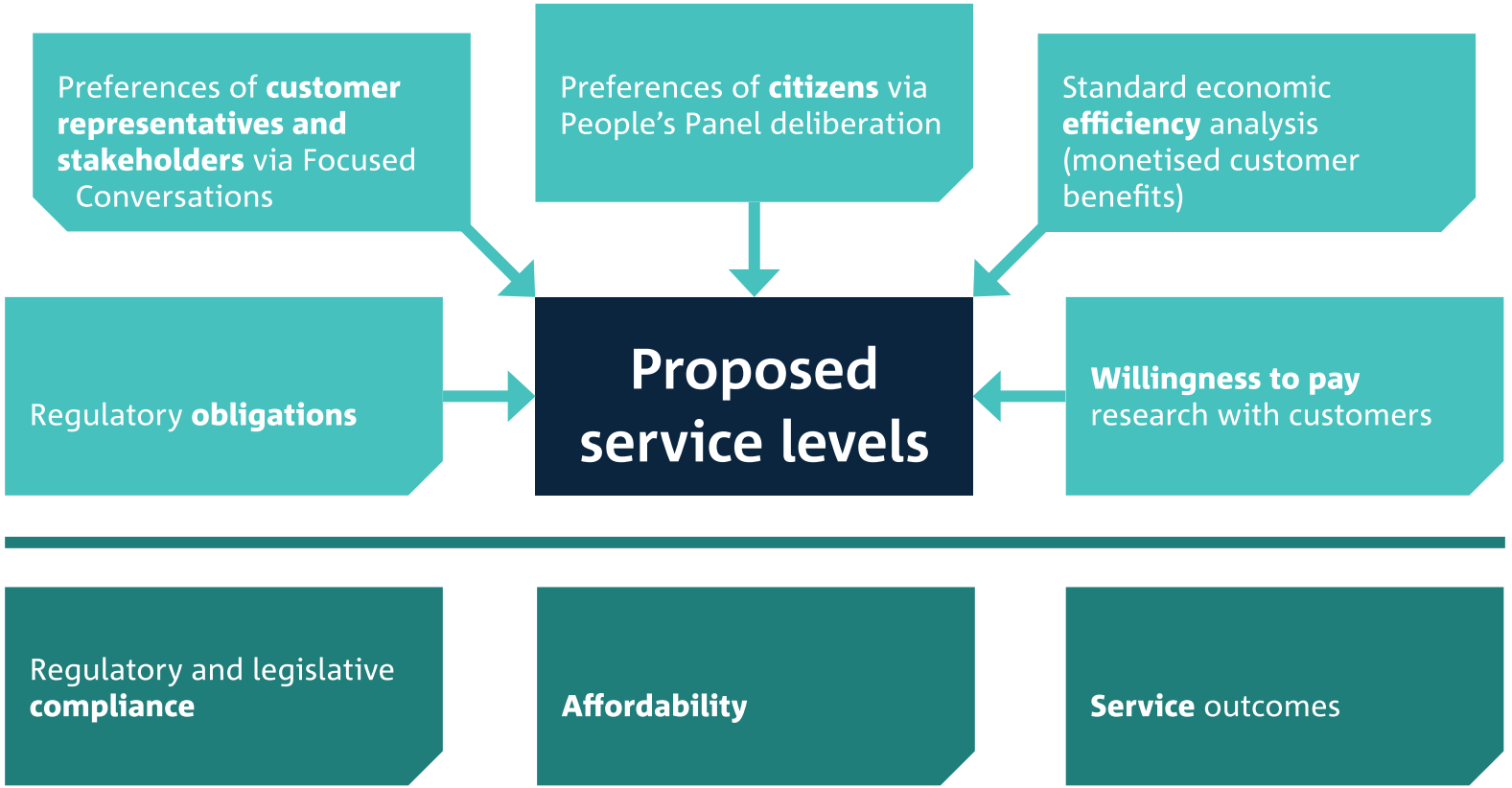
- Increased asset replacement to **maintain** overall reliability by geographic region, restore CBD reliability to regulated target and maintain safety risk.
- Upgraded network capacity to **maintain** network security and reliability in light of significant increases in electricity demand and export services
- Replace ICT systems to **maintain** services and functionality.

However, customers have also supported:

- Targeted reliability **improvements** for customers who repeatedly experience poor performance where economic.
- Safety programs to **reduce** the risk of our assets starting bushfires and minimise customer impacts from public safety power shutoffs during bushfire risk times where economic.
- **Improving** digital service interactions



Our Proposal is supported by multiple information sources in addition to the recommendations of our People's Panel …



… and is demonstrably efficient:

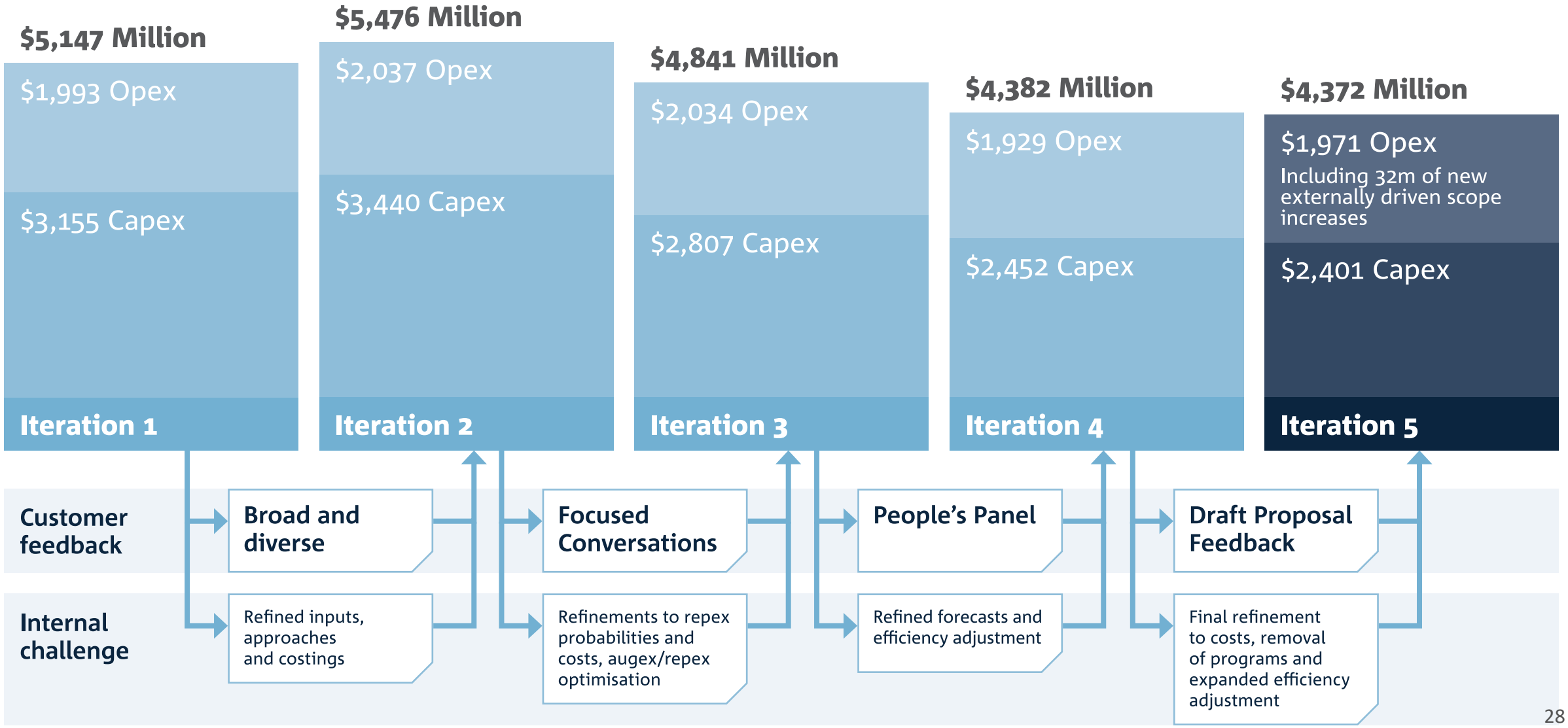
The NPV of new investments provides a net benefit of more than **$500m** over 20 years

Forecasts

Capex
Opex
Revenue
Pricing



Our forecasts have been subject to continual challenge



Capex

$m, June 2025	2020-25 Actual/forecast	Draft Proposal (July 2023)	Regulatory Proposal	Variance from Draft ($ m)
Capex (before $21m disposals)	$1977m	$2453m[1]	$2401m	-$52m

Key changes from Draft Proposal

↑ Repex $6m – higher cost estimates for CBD cables, increased volume of distribution transformer replacements

↑ Connections $7m – increase in line with latest forecast and higher unit costs estimates

↓ Augex $9m – reduced capacity scope of works and refined cost estimates

↓ CER $10m – hosting capacity modelling refinements lowered forecast costs

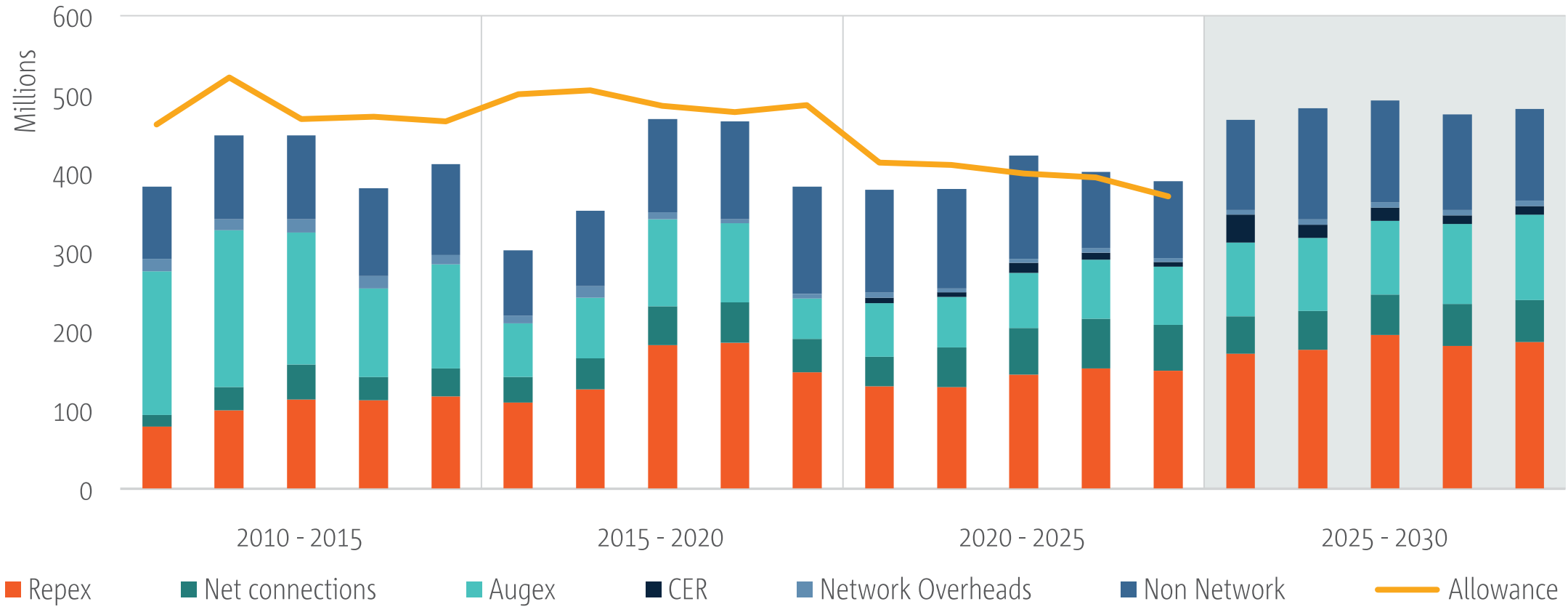
↓ ICT $16m – capex to opex SaaS shift

↓ Fleet $11m – reduced scope due to reduced augex uplift

↓ Increased efficiency $15m – assumed greater gains from Asset Management Transformation Program

1. Draft Proposal figure has increased $30m to adjust for historic CPI escalation based on revised AER instructions

Capex ($m, June 2025)



Opex

$m, June 2025	2020-25 Actual/forecast	Draft Proposal (July 2023)	Regulatory Proposal	Variance from Draft ($ m)
Opex (excl $13m debt raising costs)	$1670m	$1930m	$1971m	+$42m

Key changes from Draft Proposal

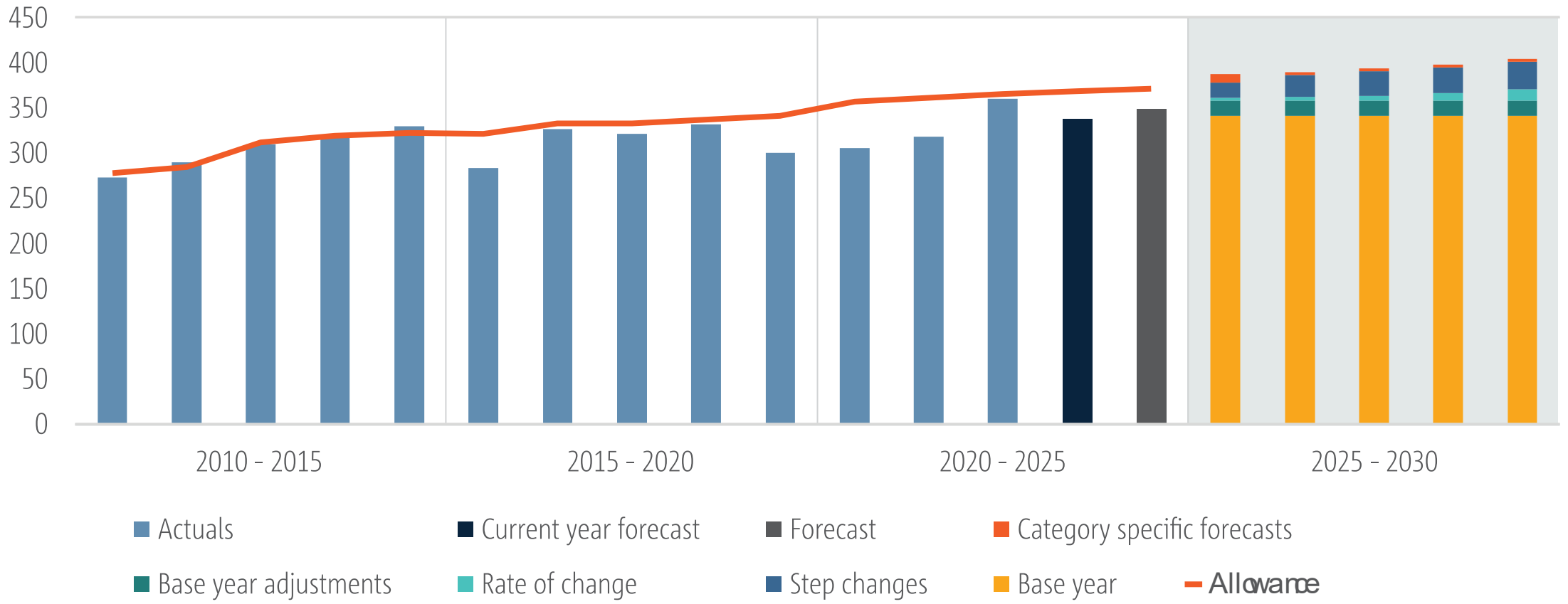
↑ Base year adjustment $14m for additional SaaS projects (capex to opex)

↑ Trend $14m: updates for 0.5% legislated superannuation increase, WPI, latest 2022/23 output growth factors

↑ Step changes $15m (increases: new Claims scheme, smart meter roll-out, demand visibility; partially offset with reductions: cyber uplift, network uplift)

Our opex forecast includes a $38m reduction in costs from productivity commitments adopted in our Proposal

Opex ($m, June 2025)



Revenue – Weighted Average Cost of Capital

Weighted average cost of capital	2020-25 Actual/forecast	Draft Proposal (July 2023)	Regulatory Proposal
Cost of debt	4.57%	4.98%	4.98%
Return on Equity	4.56%	7.10%	7.99%
Risk free Rate	0.9%	3.38%	4.27%
Post tax nominal WACC	4.57%	5.83%	6.18%

For the Draft Proposal we adopted markets rates as at May 2023 to determine the RfR for RoE.

For the Regulatory Proposal we are adopting (higher) market rates as at September 2023, resulting in higher forecast WACC.

The final WACC, and therefore revenue and prices, will depend on market rates at the time of the AER's final determination.



Revenue ($m, June 2025)

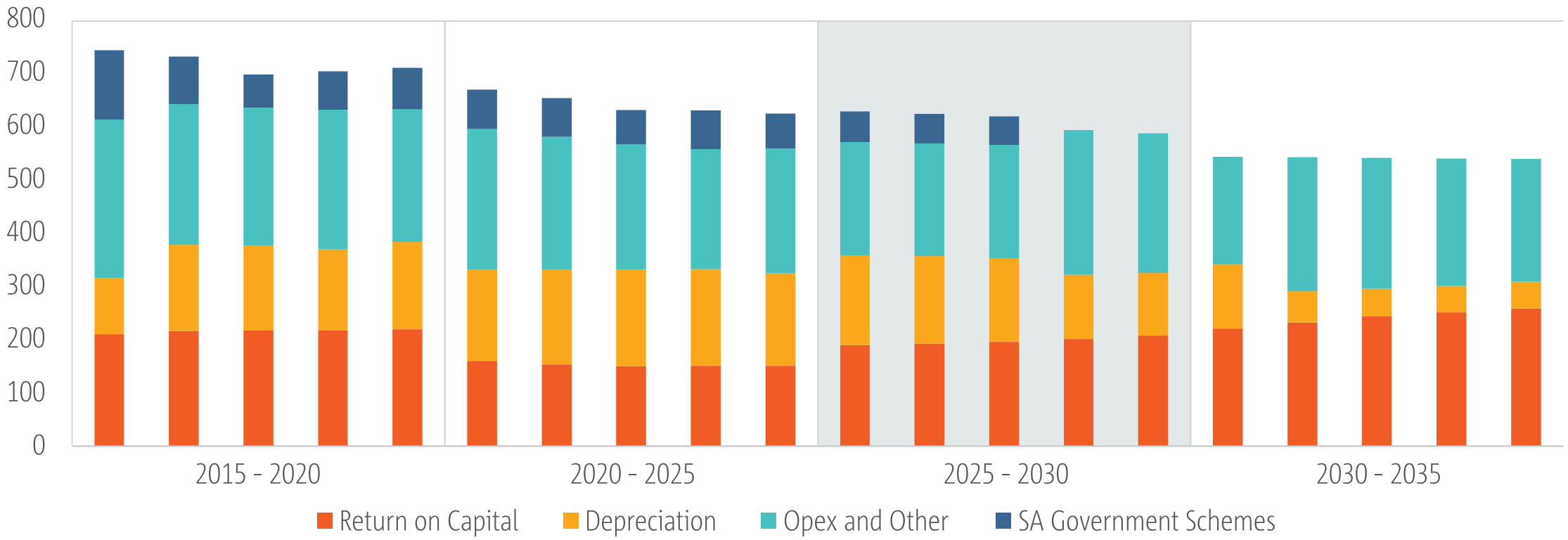
$m, June 2025	2020-25 Actual/forecast	Draft Proposal	Regulatory Proposal	Variance from Draft ($ m)
Standard Control Services	$4,442	$4,613	$4,788	$175

Key changes from Draft Proposal

The Standard Control Services forecast revenue requirement for 2025-30 is $175m higher in real terms than the Draft Proposal primarily due to:

- Higher return on capital (+$110m)
- Higher forecast opex (+$41m)
- Smoothing and other net changes (+$24m)

Average Residential Distribution + JSO Bill ($, June 2025)



- JSO (PVFiT) concludes June 2028
- With this in mind, we propose lower distribution charges in first 3 years of 2025-30 period to minimise short-term cost pressures and smooth overall price path
- Note **materially lower charges in 2030-35 period** largely resulting from further reductions in depreciation

Distribution bill impacts ($ Nominal)

	 Pensioner without Solar	 Couple without Solar	 Family without Solar	 Family with Solar	 Family with Solar and Battery	 Family with EV, Solar and Battery
Annual Usage (kWh)	2,520	3,960	8,540	5,100	2,300	15,520
Solar Pannels	-	-	-	6.0kW Panels 6.0kW Inverter	6.6kW Panels 5.0kW Inverter	11.5kW Panels 7.0kW Inverter
			2024-25			
Residential Single-rate	**$ 432**	**$ 566**	**$ 996**	**$ 673**	**$ 411**	**$ 1,650**
Residential TOU	**($28)**	**($34)**	**($43)**	**+$18**	**($56)**	**($466)**
Residential Electrify	**($21)**	**($23)**	**($79)**	**+$24**	**($64)**	**($421)**
			2025-26			
Residential Single-rate	**$443**	**$578**	**$1,009**	**$685**	**$422**	**$1,667**
Residential TOU	**($22)**	**($36)**	**($37)**	**+$35**	**($48)**	**($338)**
Residential Electrify	**($21)**	**($23)**	**($79)**	**+$25**	**($64)**	**($422)**
Electrify Export Credits				**($74)**	**($58)**	**($3)**
Export Charges	-	-	-	**+$2**	**+$2**	**+$3**

2024 Key milestones

Key dates	Milestone
February – September	AER review proposal in detail. Engagement with business and information requests where additional clarity or information required.
March	AER Issues Paper – inviting submissions
April	AER public forum
End-September	AER Draft Decision
December	SAPN Revised Regulatory Proposal (if required)


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