



SA Power Networks

2025-30 Draft Regulatory Proposal



Disclaimer

Company information

SA Power Networks is the primary electricity distribution network service provider for South Australia. For information about SA Power Networks visit sapowernetworks.com.au.

Disclaimer

This document is designed to gain feedback on proposed plans for the 2025-30 regulatory period.

It contains certain predictions, estimates and statements that reflect various assumptions concerning, amongst other things, economic growth and load growth forecasts that, by their nature, may or may not prove to be correct and are subject to ongoing change and development.

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About this document

This document outlines our understanding of the services and service levels that customers expect us to provide over the 2025-30 regulatory period. In preparing our Draft Proposal we have engaged widely with customers, stakeholders and the South Australian community. We are now seeking wider feedback as to whether this Draft Proposal has the price-service balance right.

SA Power Networks is the primary electricity distribution network service provider in South Australia. Our revenues are determined by an independent regulator, the Australian Energy Regulator (AER)¹, every five years in accordance with a legislated regulatory framework.

We must prepare a 'Regulatory Proposal' outlining our proposed work plans, forecast expenditures and overall revenue requirements to deliver those plans over the next Regulatory Control Period, which is from 1 July 2025 to 30 June 2030. Our full Regulatory Proposal will be submitted to the AER in January 2024.

This Draft Proposal document outlines the engagement process undertaken and the recommendations we have received from our customers during our engagement to date. It also details the latest forecast expenditure, revenue and customer price outcomes and our proposed tariff structures for 2025-30.

We are seeking feedback on this Draft Proposal, before we finalise and lodge our full 2025-30 Regulatory Proposal.

Part A of our Draft Proposal outlines how we have developed our proposed plans and expenditure forecasts, the stakeholder engagement program we have undertaken to date and how we have based this proposal on customer preferences and feedback from that program. It briefly summarises proposed expenditure, revenue and customer bill forecasts and key tariff proposals for the 2025-30 period.

Part B is a separate document and provides a more detailed summary of our proposed expenditure and revenue forecasts and tariff structures for 2025-30 and other details which, subject to customer feedback on our Draft Proposal, will be included in our full Proposal.

1. The AER is established under the Competition and Consumer Act 2010. More information on the AER's role is available at www.aer.gov.au/about-us

Acknowledgement of Country

In the spirit of reconciliation, 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 by paying respect to emerging leaders.



Foreword



Peter Tulloch

Chair
SA Power Networks



Andrew Bills

CEO
SA Power Networks

Developing a Regulatory Proposal is always challenging for a network business. We have to balance a range of expectations and needs from a wide range of customers, stakeholders, regulators and our community.

This has been particularly the case for this current Proposal. Cost of living pressures are impacting many of our customers, but we also need to urgently address our ageing network assets while supporting the energy transition.

Despite these conflicting drivers, in developing our 2025-30 Draft Proposal we have found much common ground on the key priorities:

- › reliability and safety;
- › choice and empowerment for customers;
- › support for our State's nation-leading energy transition; and
- › affordability and equity.

Following a lengthy and deep engagement with customers and stakeholders – a process strongly supported by our Board and executive team – we established a People's Panel of 51 representative South Australians to review our

programs and help us finalise our Draft Proposal. With only minor exceptions, we have adopted the recommendations of the Panel, including where they suggested more needed to be done and where things could be scaled back. We have also challenged ourselves to ensure our Proposal is as efficient as possible – the bare minimum expenditure to meet the service levels expressed by the Panel.

We believe the outcome is a proposal that suitably balances the range of expectations and needs expressed by South Australians, and ensures we can deliver improved safety, maintain network reliability, support our State's exciting energy transition, and not add to energy prices.

However, our engagement is not yet complete. We welcome feedback from all South Australians on our 2025-30 Draft Proposal and whether we have accurately reflected your perspectives and priorities. **Section 12 Have your say** provides details as to how you can provide your feedback.

Community Advisory Board



Dr. Jessie Byrne
Chair
Community Advisory Board



Kelvin Trimper AM
Deputy Chair
Community Advisory Board

SA Power Networks' Community Advisory Board (CAB), and its predecessor, the Customer Consultative Panel (CCP), acknowledge that they have worked closely with SA Power Networks in the planning and delivery of SA Power Networks' engagement process for its Regulatory Reset Proposal.

This process began in late 2021 and has required a significant and, at times, onerous commitment of our members and other external stakeholders over the past 22 months.

We recognise the various regulatory elements are complex. We thank SA Power Networks for its commitment and for using their best endeavours to ensure all external participants had the background knowledge and understanding to provide informed feedback on the Reset. Questions raised were dealt with professionally and with patience by SA Power Networks.

We acknowledge that, for the most part, the vast range of topics raised by consumers through

the engagement process were satisfactorily considered. However, given the diversity of CAB and other stakeholders involved, and given the complexity of the material covered, consensus was not possible on all elements of the Reset or on its overall balance between service and cost.

We also acknowledge the role of the Australian Energy Regulator (AER) in determining whether the SA Power Networks' Reset Proposal is 'prudent and efficient'. The CAB encourages all consumers who read this Draft Proposal to provide feedback.

We look forward to continuing to work collaboratively with SA Power Networks as it finalises its Reset Proposal to the AER.

About SA Power Networks

Network highlights



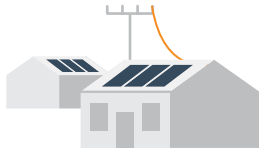
SA Government committed to
100% net renewable
energy generation in SA by
2030



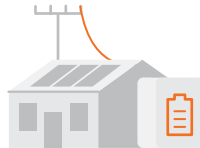
68%
of energy demand in SA
met by renewables
– second only to Denmark



Around
\$20 billion
of renewable energy projects
in the pipeline in SA



~315,000
solar PV systems enabled



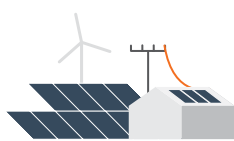
~30,000
home batteries enabled



35%
of customers in SA with solar
– highest in NEM



Facilitating **9**
Virtual Power Plants (VPPs) in SA



100%
of distribution network demand
regularly met by renewables



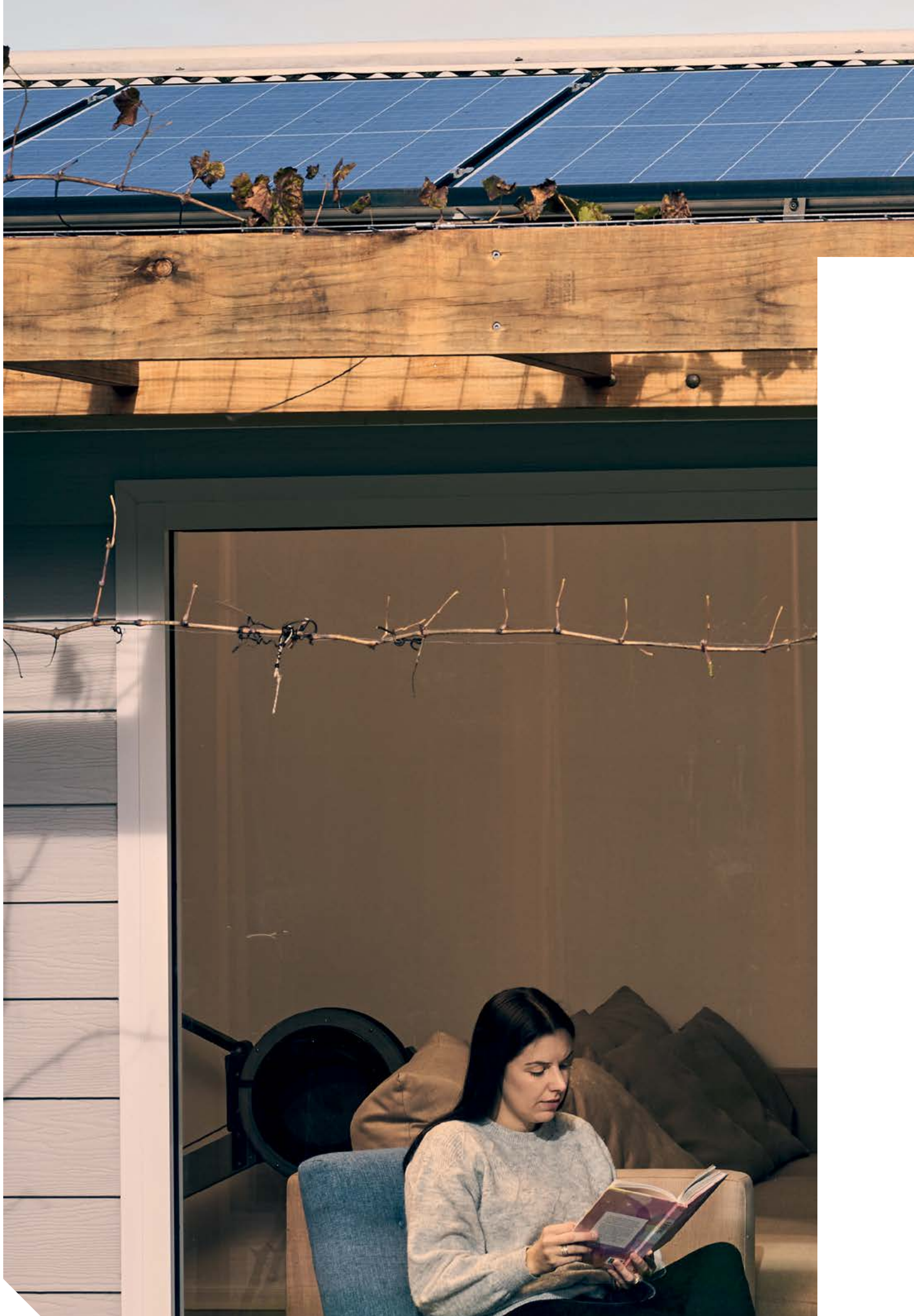
#1
Benchmark ranking by the
Australian Energy Regulator

SA Power Networks details

- › **Primary distributor** in South Australia
- › Supply South Australia's **1.7 million** population
- › Supplying over **900,000** homes and businesses
- › **1,800 employees** in more than 30 sites across the state
- › **600 apprenticeships** since 2003
- › Peak demand **3,145MW**
- › Electricity distributed **9,858GWh**
- › Network coverage over **178,000km²**
- › Route length around **90,000km**
- › **Oldest network assets** in the NEM

Glossary

Acronym	Full Name	Acronym	Full Name
AEMO	Australian Energy Market Operator	FiT	Feed-in Tariff
AER	Australian Energy Regulator	GW	Giga Watt
AER CCP30	Australian Energy Regulator's Consumer Challenge Panel 30	IAP2	International Association for Public Participation
Augex	Augmentation Expenditure	IT	Information Technology
c/kWh	cents per kilo Watt hour	kW	kilo Watt
CAB	Community Advisory Board	kWh	kilo Watt hour
CAPEX	Capital Expenditure	LV	Low Voltage
CBD	Central Business District	MW	Mega-Watts
CCP	Customer Consultative Panel	MWh	Mega Watt hour
CER	Customer Energy Resources	NEM	National Electricity Market
CESS	Capital Expenditure Sharing Scheme	NER	National Electricity Rules
CSIS	Customer Service Incentive Scheme	OPEX	Operating Expenditure
DMIAM	Demand Management Incentive Allowance Mechanism	p.a.	Per Annum
EBSS	Efficiency Benefit Sharing Scheme	PLEC	Power Line Environment Committee
EDC	Electricity Distribution Code	PV	Photo Voltaic
ESCoSA	Essential Services Commission of South Australia	Repex	Replacement Expenditure
EV	Electric Vehicle	SACOSS	South Australian Council of Social Service
FC	Focused Conversation	Totex	Total Capital and Operating Expenditure
		VPPs	Virtual Power Plants



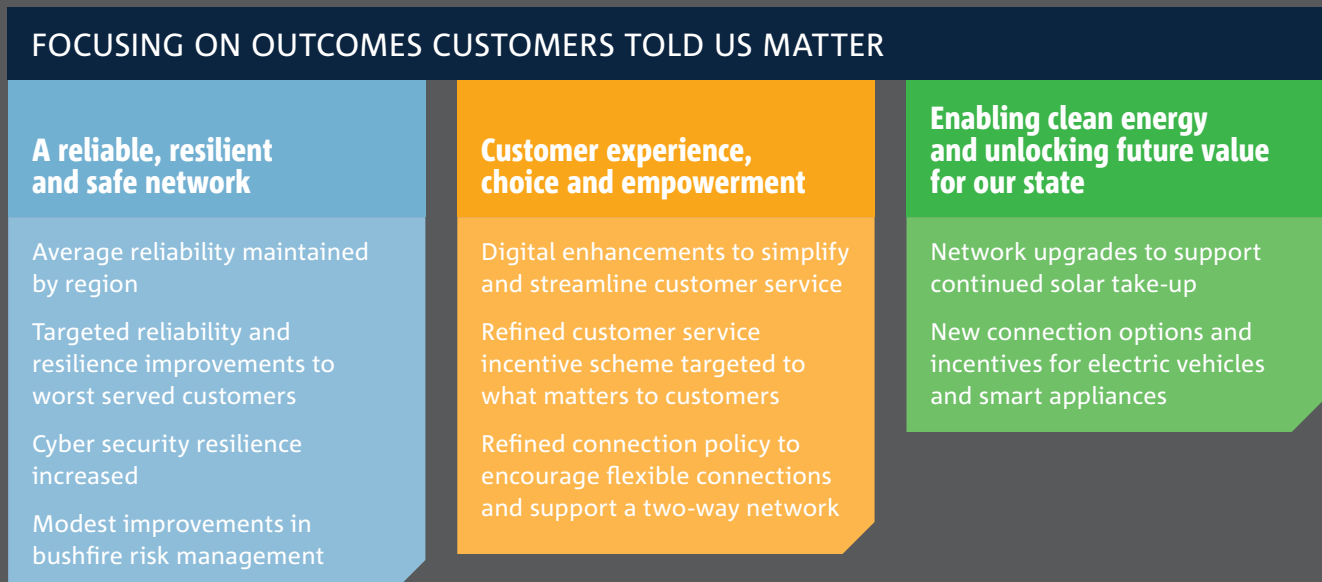
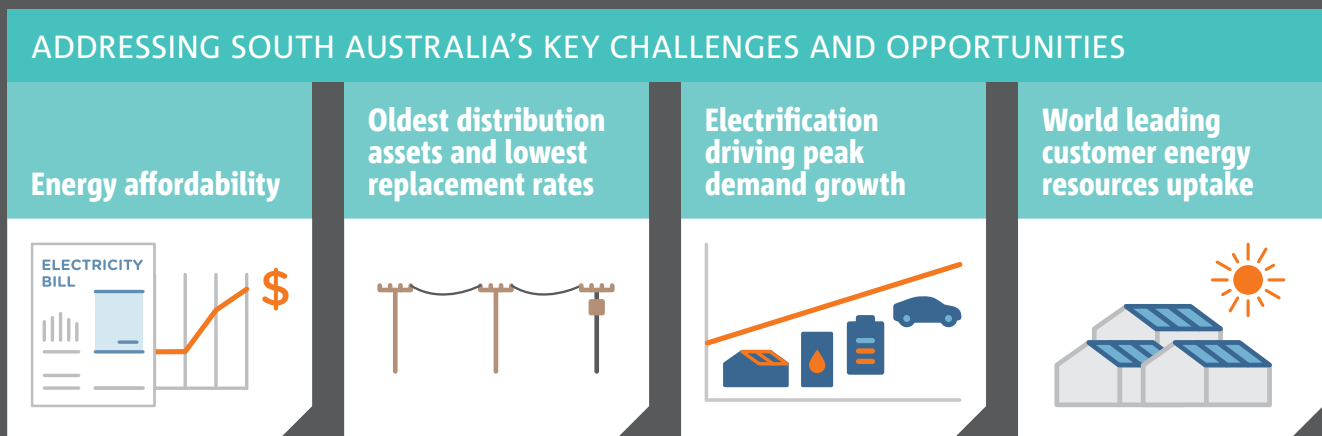


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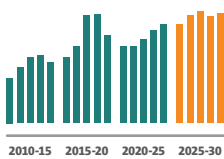
1. Draft Proposal at a glance

The following graphic outlines key elements of our Draft Proposal.



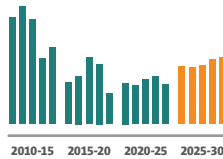
DELIVERED BY EFFICIENT INVESTMENTS

Asset replacement



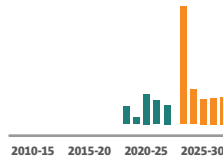
\$929 Million to mitigate performance degradation due to deteriorating asset condition

Network augmentation



\$521 Million to meet customer demand growth and deliver minor service enhancements in some regions

Customer energy resources integration



\$98 Million to support solar export service demand, electric vehicles and smart appliances

Forecasting methodologies



Aligned to AER guidelines and expectations

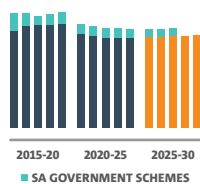
Internal and external challenge



Forecasts subject to five iterations of customer and internal challenge

WITH AFFORDABILITY AND EQUITY ALWAYS IN MIND

Customer bills



Average distribution bills steady. Customers will see reductions due to expiry of SA Government solar feed-in scheme

Solar export tariff



Solar export tariff reduces costs for customers locked out from solar

Vulnerable customer representation



Customers experiencing vulnerability have been strongly represented in all engagement stages

Minimal service enhancements



Programs generally limited to maintaining performance

Overall service - price balance



Deliberated on and agreed by representative People's Panel



People’s Panel member Alicia

2. Overview

2.1 Listening to customers

SA Power Networks has been a strong performing business over many years, driving down distribution costs, improving reliability and service, and enabling the clean energy transition which is occurring in South Australia at a rate not seen anywhere else in the world.

As we prepare for 2025-30, we must consider how we can maintain our high performance, but also meet customers' evolving needs and adapt to new factors in our environment. In particular, we have key challenges in maintaining the performance of our network assets which are increasingly nearing end of life, and responding to growth in electricity demand as customers seek to meet their transportation and broader energy needs with electricity rather

than fossil fuels. Equally, broad electrification offers customers the opportunity to significantly reduce their total energy bills – although this is within a short-term context of very high wholesale electricity pricing (and not driven by distribution pricing).

To inform our approach to addressing these challenges and opportunities, we have been engaging deeply with our customers and stakeholders.

This work began in 2021, as we sought broad input on the key factors that customers value in the delivery of distribution network services. This was followed in early 2022 by broad engagement across South Australia with geographically and socially diverse groups of

customers, and then six months of Focused Conversations on a number of critical issues with a selection of stakeholders with deep knowledge.

This process culminated in a People's Panel early this year, where we sought advice from a representative group of 51 South Australian customers as to the most appropriate overall balance between price and service in the 2025-30 period, considering all aspects of trade-offs between price and service.

In this Draft Proposal, we seek to 'play back' our understanding of what customers have told us and confirm that we have interpreted these perspectives correctly.

2.2 What we've heard

Throughout the course of our engagement, the feedback from customers as to their key priorities has been remarkably consistent:

1. **Maintain safety and reliability** – keep the power on and minimise the risk of public harm from the failure or operation of network infrastructure.
2. **Deliver good service** – be easy to deal with and help customers navigate the complex choices in responding to the new energy future.
3. **Enable the clean energy transition** – since this is fundamental to mitigating climate change, and over the long-term, will result in significant reductions to customers' energy bills.
4. **Keep the price as low as possible, and play your part in improving equity** – because some customers are doing it particularly tough as interest rates and cost of living increases bite.

2.3 What we propose

To address these priorities, we developed a range of expenditure scenarios with associated services, service levels and price outcomes for customers.

We engaged with customers and stakeholders on these scenarios with a view to understanding their priorities and preferences.

On the basis of their feedback and advice, we propose to:

- › Increase asset replacement expenditure to maintain network safety and reliability in light of an increasingly large number of assets reaching the end of their service lives.
- › Maintain our energy transition program to ensure customers can continue to connect solar, batteries and their electric vehicles without degradation in service levels, and importantly, to enable increased electrification without the need for significant network capacity upgrades.
- › Undertake modest, targeted expenditure in remote and rural areas to improve network reliability and resilience to customers who receive far poorer service than average; and to minimise the increasing impacts of bushfires and storms on those communities most vulnerable to their effects.
- › Implement some minor enhancements to customer service where the value to customers is significant (for example, self-service across a range of interactions) or customers have expressed a clear new need.
- › Make requisite investments in fleet, property and Information Technology (IT) to support our workforce in safely, effectively, efficiently, and securely delivering these programs.

In developing expenditure forecasts in each of these areas we have ensured compliance with the AER's various guidance documents, and we have challenged ourselves to ensure that they are the most efficient means by which to achieve customers' desired service outcomes, maintaining our position as the most efficient distribution business in the National Electricity Market (NEM).

2.4 Managing affordability and equity

Under our Draft Proposal, despite expenditure increases, underlying distribution bills would remain roughly consistent with today's bills. This occurs as a result of a significant number of existing network assets reaching the end of their regulatory lives, and therefore no longer requiring customer funding in the 2025-30 period.

In addition, due to forecast increases in electrification, additional network throughput will reduce c/kWh unit network costs, so customers that maintain current levels of consumption will see reduced bills.

Bills will also reduce materially due to the expiry of the South Australian Government's solar photo-voltaic Feed-in Tariff (FiT) scheme in 2028.

Given these factors, despite affordability concerns, customers have strongly supported our proposed investment program on the basis that it focuses on the fundamentals – reliability and safety – with only modest enhancements to current service levels or services to the most poorly served customers, where there is discernible value to customers that outweigh the costs.

Customers also recognised that by enabling the energy transition distributors have a significant role in achieving net zero emissions targets. This will ultimately reduce their energy costs even further, with electrification of transport and industry potentially halving total energy bills for residential customers.

2.5 Outcomes for customers

This Draft Proposal is substantively consistent with the recommendations of our People's Panel and if accepted by the AER would result in:

- › continued delivery of the fundamentals that customers have asked to be maintained – safety, reliability, and service, with modest improvement for the most poorly served customers;
- › continued enablement of the clean energy transition, allowing continued customer investment in their own energy resources and decarbonisation of the state's energy system, and increasingly, the uptake of electric vehicles;
- › average distribution bills remaining roughly steady in real terms over the period, although customers' bills will materially reduce owing to the retirement of the South Australian Government's premium feed-in tariff scheme in 2028; and
- › the enablement of significantly reduced energy bills in the future.

We are seeking feedback from customers and stakeholders as to whether this Draft Proposal accurately reflects the perspectives that have been shared with us through our engagement to date.



Ian and Heather with her Tesla Model 3



People’s Panel independent advisor Andrew with SA Power Networks’ Executive General Manager Jessica

3. Our approach to customer and stakeholder engagement

Underpinning the development of our 2025-30 Regulatory Proposal has been a comprehensive engagement program – ensuring we understand what our customers value and focusing our engagement activities on what matters most to our South Australian community.

In developing our engagement program, we worked collaboratively with our Community Advisory Board (CAB) and a Reset Subcommittee of that Board as strategic partners to develop and endorse our program. We undertook early engagement with our key stakeholders to refine the engagement program to ensure we focused on what matters.

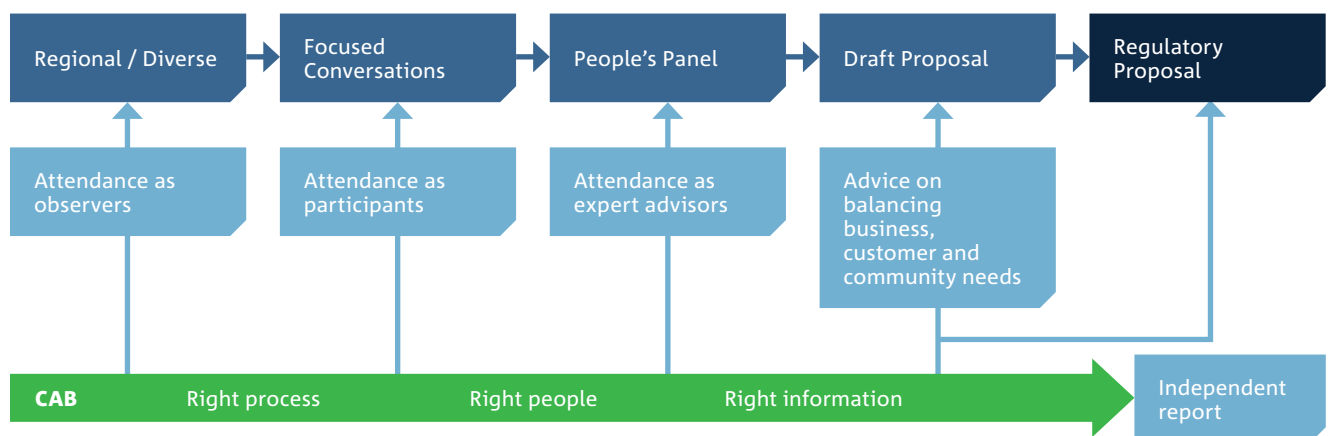
3.1 Community Advisory Board

The CAB's role is to ensure that customer views shape our service delivery and are at the heart of all our decision-making. Its members are drawn from across the South Australian community, representing

businesses, green energy, youth, regional communities, consumer advocacy groups, local government representatives and diverse populations.

The CAB maintains high-level oversight and provides regular advice on the engagement process for our 2025-30 Regulatory Proposal.

Figure A1. CAB oversight of engagement process



A dedicated CAB Reset Sub-Committee (a sub-group of the CAB plus two additional community/business representatives) has met monthly since April 2022 to focus on Reset engagement activities. The group was not a ‘customer forum’ to negotiate with SA Power Networks on specific plans or expenditure proposals, but rather sought to provide strategic guidance and advice on our engagement process to ensure the outcomes and customer insights shaped our proposal.

The CAB and CAB Reset Sub-Committee were involved in all stages of the design and implementation of our Reset engagement program, including:

- › Co-designing and endorsing our engagement program at the outset – to ensure right process, right information and right stakeholders.
- › Attendance at the Broad and Diverse workshops as observers.
- › Participation in all Focused Conversations – at least one member of the CAB participated on each of the Focused Conversations.
- › Collaboratively reviewed the two questions for consideration by the People’s Panel and endorsed the chosen external facilitator.
- › Involvement in the People’s Panel – as expert witnesses, resource table and observers in the process.
- › Finalisation of ‘Willingness-to-pay’ research survey topics and testing of draft survey.
- › Review of our engagement program, including the development of an independent report on the engagement program.

3.2 Our engagement principles

A number of key principles were the foundation for our engagement program. The objectives were endorsed by our Customer

Consultative Panel (now our Community Advisory Board) and our executive management Reset Steering Committee.

Table A1. Our engagement principles and intentions

Our principles	Our intention
Important and prioritised	› Important to our business and community › Impact of engagement is lasting and measurable › Defined and clear level of influence
Open and transparent	› Openly sharing performance and decision-making information › Outlining our process of decision making
Engaging and collaborative	› Supporting and encouraging participants › Refine engagement approach and activities based on feedback › Measure success and improve
Valued feedback	› Sharing what we have heard and how the feedback is used
Inclusive and diverse	› Participation is as easy as possible › Making an effort to include those who would not usually participate

3.3 An iterative, scenario-based engagement process

A high level overview of our engagement process is illustrated below. This commenced with development of key themes and priorities in late 2021, after which we consulted with a wide range of customers and stakeholders in our

Broad and Diverse stage, which comprised visits to six regional sites. This was followed by deep dive Focused Conversations into specific priorities identified during earlier stages, culminating in our People's Panel in early 2023.

This process enabled an iterative approach to forecasting our total capital and operating expenditure (totex), with each key stage of our engagement program directly informing each forecast iteration, and the outputs of each stage providing input into the next.

Figure A2. Key stages of engagement

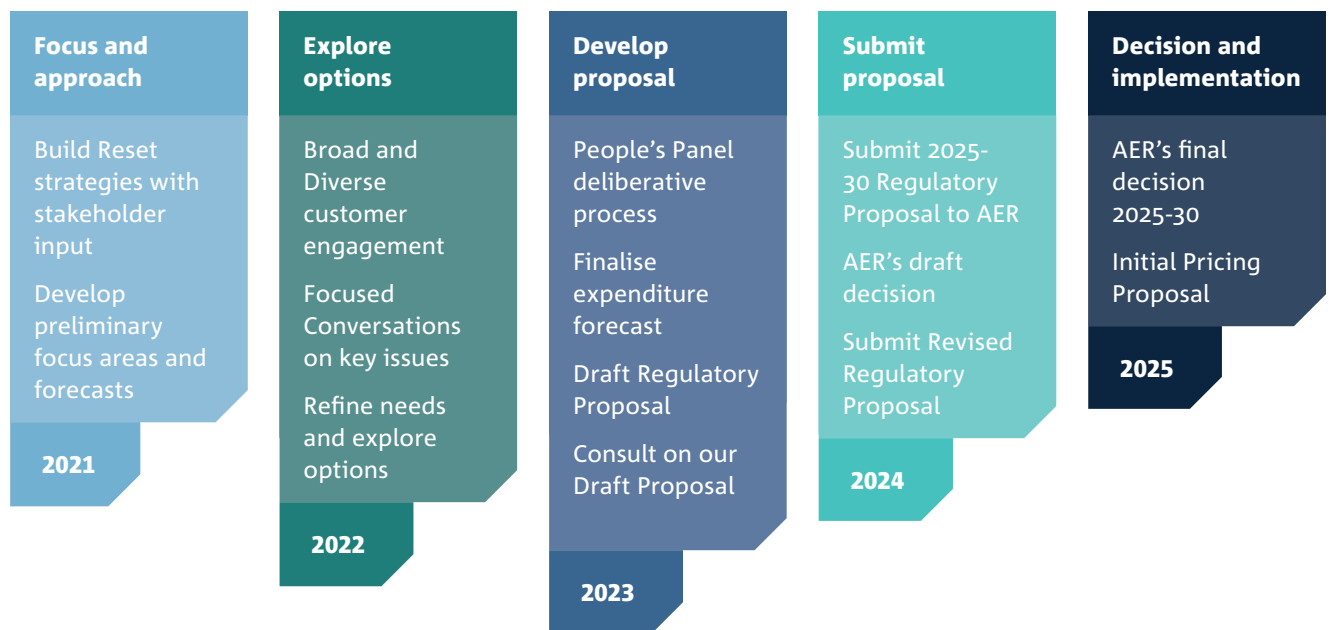
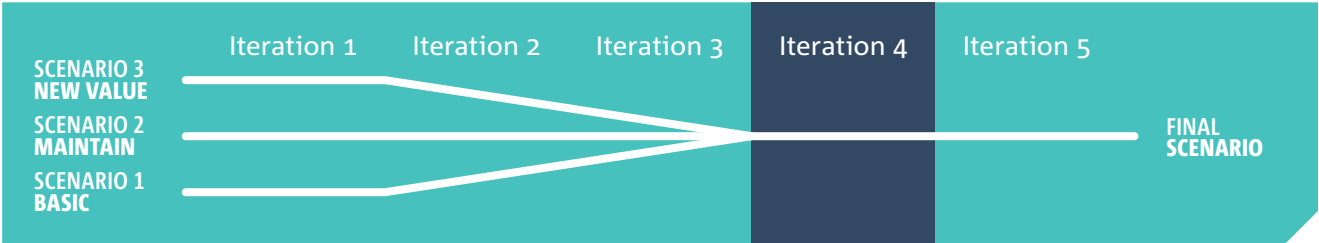


Figure A3. Iterations in developing our forecast



PROVIDE TRANSPARENCY ON THE ITERATIVE PROCESS OF HOW EXPENDITURE FORECASTS HAVE BEEN SHAPED BY CUSTOMERS' EXPECTATIONS



The expenditure forecasts in this Draft Proposal (Iteration 4) are the fourth of five key iterations that we are developing with customers. Iteration 5 will address feedback on our Draft Proposal and be included in our full Regulatory Proposal.

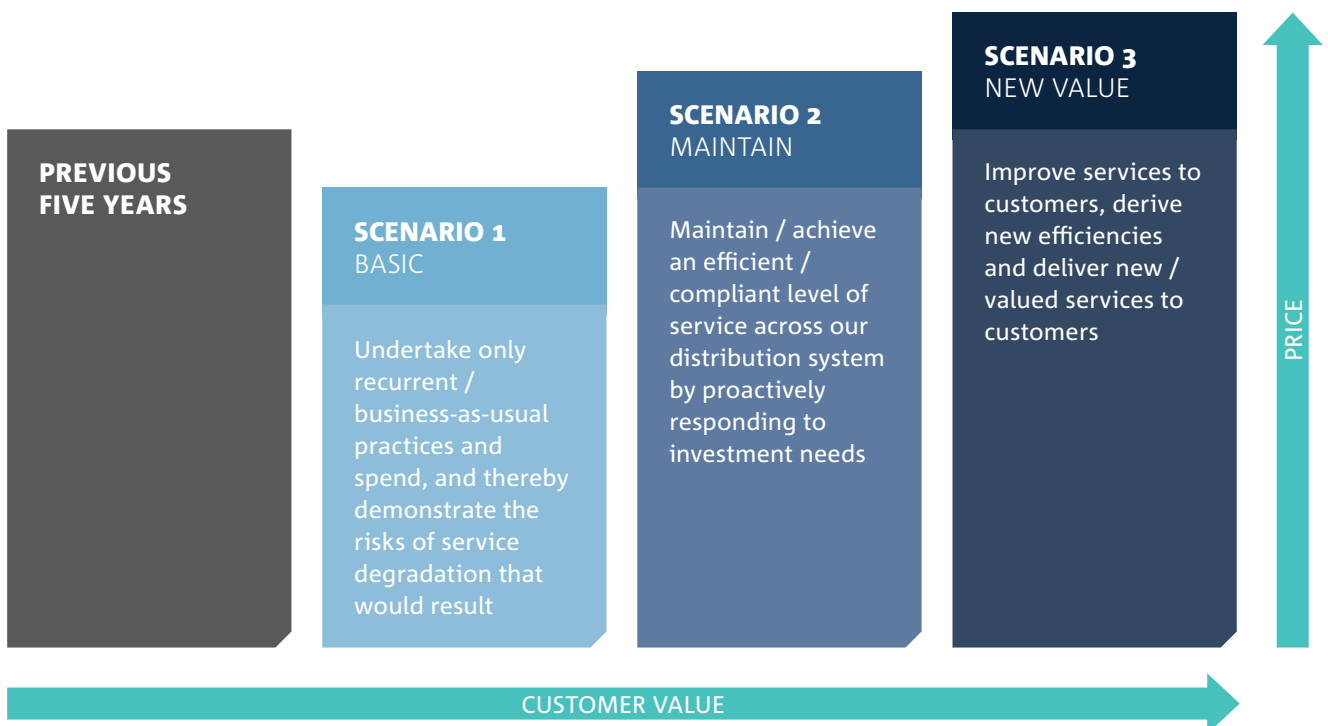
A notable change in our engagement approach was to involve consumers throughout the entire process, rather than attempting to develop ‘the one right number’ and then trying to explain and seek support for our proposal.

Instead we:

- › took a ‘scenario’ approach to forecasting and engagement by providing three alternative states of the world in terms of what we could do and spend on the network in response to the key drivers facing our business:
 1. a ‘Basic’ scenario - a base-case counterfactual where we set out what would occur if we reduced our expenditure to just reflect recurrent or ‘business-as-usual’ practices;
 2. a ‘Maintain’ scenario – where we maintain current service and compliance to current and new obligations; and
 3. a ‘New value’ scenario – where we achieve higher or differing service levels, or provide new services.

- › asked customers to recommend the service level and price outcomes balance they expect us to achieve in the 2025-30 period, and progressively refined our three forecast scenarios down to one scenario aligned to their expectations that comprises our Draft Proposal.

Figure A4. Scenarios used to engage with stakeholders



As we progressed through our consumer engagement stages, our totex forecast iterations changed materially, commencing at \$4.9 billion, and rising to \$5.3 billion before falling to \$4.4 billion in this fourth iteration. This predominantly resulted from incorporating our customers' recommendations, alongside ongoing refinements in our own analysis, expectations and forecast inputs, and significant internal challenge to deliver outcomes more efficiently and innovatively. This is described more

fully in **Section 10 Our expenditures have been subject to significant challenge** of this Draft Proposal.

Our forecasts have been dominantly driven by our customers' expectations, namely the recommendations of the People's Panel who ultimately reviewed the overall balance of service and price outcomes recommended by the earlier Focused Conversations. These stages of engagement are described more fully in the next section of this Draft Proposal. Throughout

our engagement we have made our entire totex forecast visible to stakeholders so that each engagement session provided the context that customers needed to make informed recommendations on service and price trade-offs. The majority of our capital expenditure (capex) and operating expenditure (opex) step changes has been shaped by the service outcomes recommended by our customers.





Ian charging his Tesla Model S



People’s Panel members David, Xin and Adam

4. Our engagement in detail

Consider the following questions as you read this section:

1.

How satisfied are you that the engagement undertaken by SA Power Networks captures the priorities and views of the South Australian community?
2.

How satisfied are you that customer feedback received through the engagement program is reflected in this Draft Proposal?
3.

Do you have any other comments or feedback on our engagement program?

4.1 Broad and Diverse Workshops

Early in 2022, a series of workshops were held to bring new voices to the ‘future energy’ conversation and involve members of our community who may otherwise not get involved or experience barriers to participation. This targeted engagement, however, was not designed to be inclusive to all groups, but rather focus on several target groups and leverage our existing relationships for detailed engagement.

The workshops aimed to provide a high-level conversation about electricity and future needs. The sessions were externally facilitated, translators/interpreters were provided as required and material and format were adjusted to meet specific needs. A targeted session for renters was added in response to stakeholder feedback.

A series of workshops were also held across South Australia to facilitate more detailed conversations with regional stakeholders and customers. The workshops were longer in duration, allowing us to discuss local issues and future planning aspirations. The sessions were framed around four engagement themes outlined in **Section 5 Key themes arising from the engagement** and stakeholders considered potential levels of investment and priority areas.

New diverse voices brought into our engagement program included:

Afghan community
Italian Community
Youth
Renters
Deaf and hearing impaired community
Indigenous community

Regional workshop locations:

Riverland - Renmark
Adelaide Metro
South East - Mount Gambier
Adelaide Hills - Mount Barker
Eyre Peninsula - Port Lincoln
Upper North - Whyalla

4.2 Focused Conversations

In the second half of 2022 more than 40 Focused Conversations were held on priority topics aligned to different levels of engagement.

The aim of these conversations was to engage on key topics identified through our earlier engagement and narrow options on service and

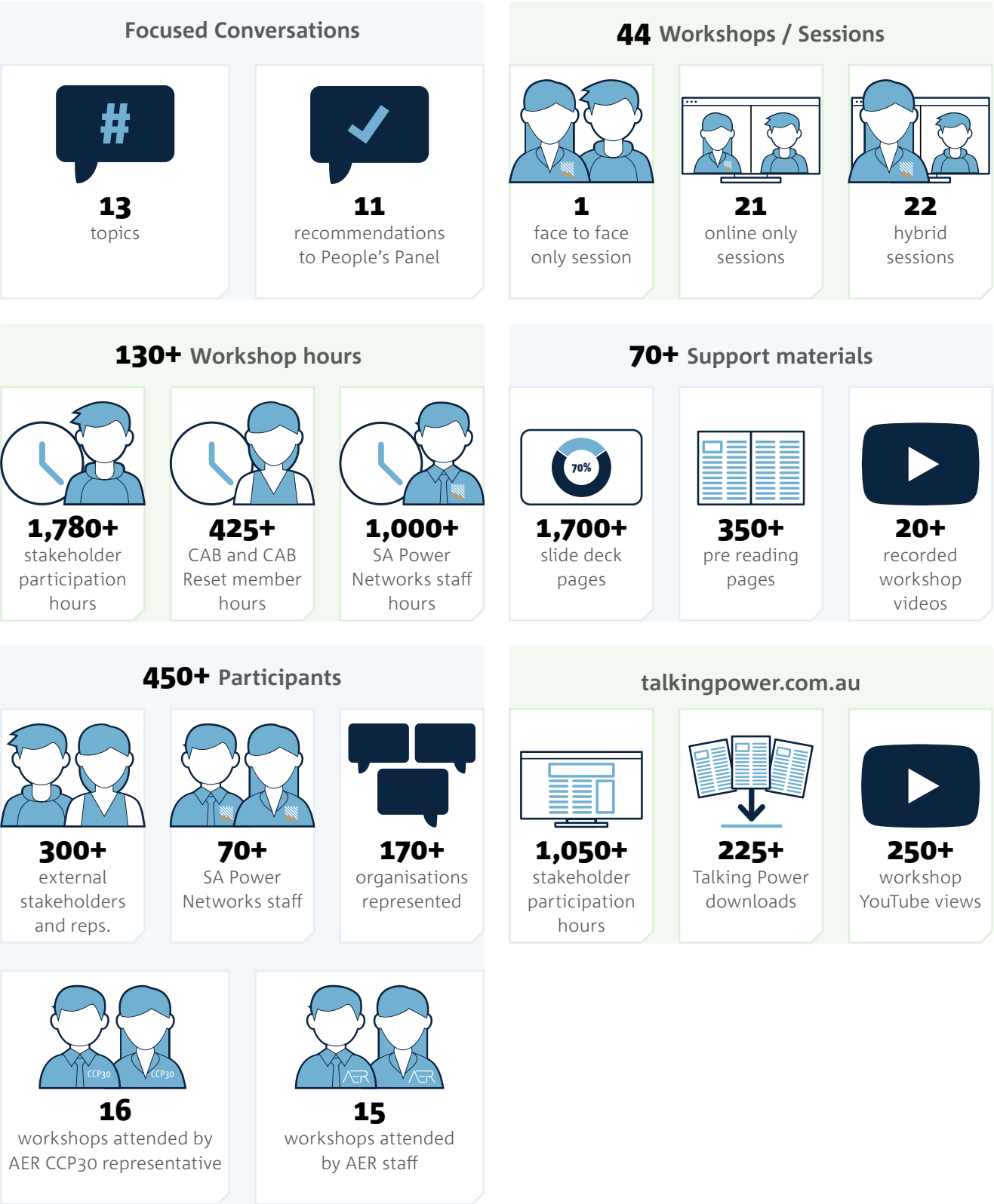
price outcomes. Our CAB endorsed our priority topics and levels of engagement, based on the objective of ‘focusing on what matters’.

Table A2. Focused Conversations topics

Topic	IAP2 Level of engagement	Topics Discussed
Tariffs	Empower/ Collaborate	› Consumption tariffs › Export tariffs and options for transition › Cost reflectivity › Total revenue recovery from tariffs
Equity and vulnerable customers	Collaborate	› What could/should SA Power Networks do to support vulnerable customers? › Solar as a service › Knock before you disconnect › Claims and damages process › Community energy fund › Vulnerable Customer Assistance Program › The role of Government and retailers
Energy transition	Collaborate	› Integrating and enabling customer value through Customer Energy Resources (CER) › Assisting to maintain system security › Meeting demand growth and enabling the transition to electric vehicles › Energy export and storage › Community energy / new energy services › Customer education › Transition to Electric Vehicle (EV) fleet – pathways and who pays?
Managing a reliable, resilient, and safe network	Collaborate	› Reliability and bushfire safety risks › Network and community resilience to changing weather › Security of supply (network capacity) › Assets and Work program (network asset management efficiency improvement) › Equity and improving service levels for worst served customers and regions › Role of non-network, community based solutions and need for partnerships

Topic	IAP2 Level of engagement	Topics Discussed
CBD reliability	Collaborate/ Involve	› Jurisdictional reliability standards › Cable replacement › Remote monitoring and feeder automation › Safety requirements of Central Business District (CBD) work and current operational constraints
Customer experience and interactions	Collaborate/ Involve	› Energy Advisory service › Personalised and on demand services › Customer Service Measures and Incentives › Connections policy and procedures
Vegetation management	Consult	› Undergrounding in bushfire risk areas › Woody weed and sapling removal › Appropriate species selection › Regulatory clearance requirements for bushfire and non-bushfire risk areas › Customer education on clearance requirements and appropriate species selection
IT Cyber security	Consult	› Cyber security › IT as a supporting function in provision of customer services
Property	Consult	› Renewal and refurbishment of property assets › Strategic projects responding to asset age, work volume, operational efficiencies

Figure A5. Focused Conversations key statistics



Three expenditure scenarios were developed initially for each Focused Conversation to help frame our engagement and facilitate discussion on a preferred recommendation for the People's Panel. This was to allow stakeholders to explore the trade-offs in the service outcomes posed by the different scenarios on

network investments. This approach allowed stakeholders to understand the expenditure requirements and price outcomes needed to maintain or improve customer outcomes and provide transparency on how we align forecast expenditure to customer expectations.

For each Focused Conversation topic, a range of potential initiatives was workshopped and a recommendation on the preferred investment scenario and expenditure level was identified.

4.3 People's Panel deliberation

4.3.1 People's Panel

A 51-member panel was recruited to represent the diversity of South Australian electricity customers and balance service levels and price across the range of service topics. The Panel was independently recruited and facilitated by democracyCo, leaders in developing and delivering deliberative processes.

Recruitment to the Panel was based on criteria identified by the CAB to ensure the diversity of the South Australian community was represented, including age, gender, socio-economic, location (regional/metro) and regional diversity, solar vs non-solar and diversity of values.

In addition, two specific groups were identified as being important to ensure their voices were heard within the process - vulnerable customers and diverse businesses (low, medium, and high business consumers of electricity). The involvement of the business sector was considered key to the whole People's Panel process and also specifically for tariffs. Business SA and the South Australian Council of Social Service (SACOSS) worked with us to ensure the voices of business and vulnerable customers were an integral part of the process.

The Panel considered the following two questions:

1. There are choices about the level of service that SA Power Networks offers, however all services come at a cost. Looking forward to 2025-30 – we want to understand what customers consider is the best balance of service and price?
2. Regulation requires SA Power Networks to consider export tariffs that reflect the cost of providing this service. How can the transition be phased in to maximise fairness and equity for all?

The Panel considered each recommendation from the Focused Conversations, and the overall impacts of service and price. Following six and a half days of deliberation, the Panel presented SA Power Networks’ Executive Leadership Team with their final recommendations.

Of the recommended initiatives from the Focused Conversations, the Panel reached consensus on all but two. In developing our Draft Proposal, we adopted the Panel’s recommendations with minor exceptions and for the two initiatives where consensus wasn’t reached, we referred back to the Focused

Conversation outcome for one, and we are in discussions with the South Australian Government for the second.

Table A3. People’s Panel expenditure recommendations

Topic	Total cost (Iteration 3)	People’s Panel recommendation
Equity and Vulnerable Customers	\$23 Million	Decrease (with no consensus on one program)
Energy Transition	\$82 Million	Support
Reliability and bushfire safety	\$279 Million	Support
Assets and Work	\$45 Million	Support
Network resilience	\$25 Million	Support
Security of supply (capacity)	\$184 Million	Support
CBD reliability	\$90 Million	Support
IT Cyber security	\$44 Million	Increase
Property	\$35 Million	Support
Vegetation management	\$96 Million	Decrease
Customer Experience and Interactions	\$77 Million	Decrease (with no consensus on one program)

The Panel also failed to reach consensus in relation to question two, the introduction of export tariffs. We discuss this issue further in the **Section 8 Enabling clean energy** section of this Draft Proposal.

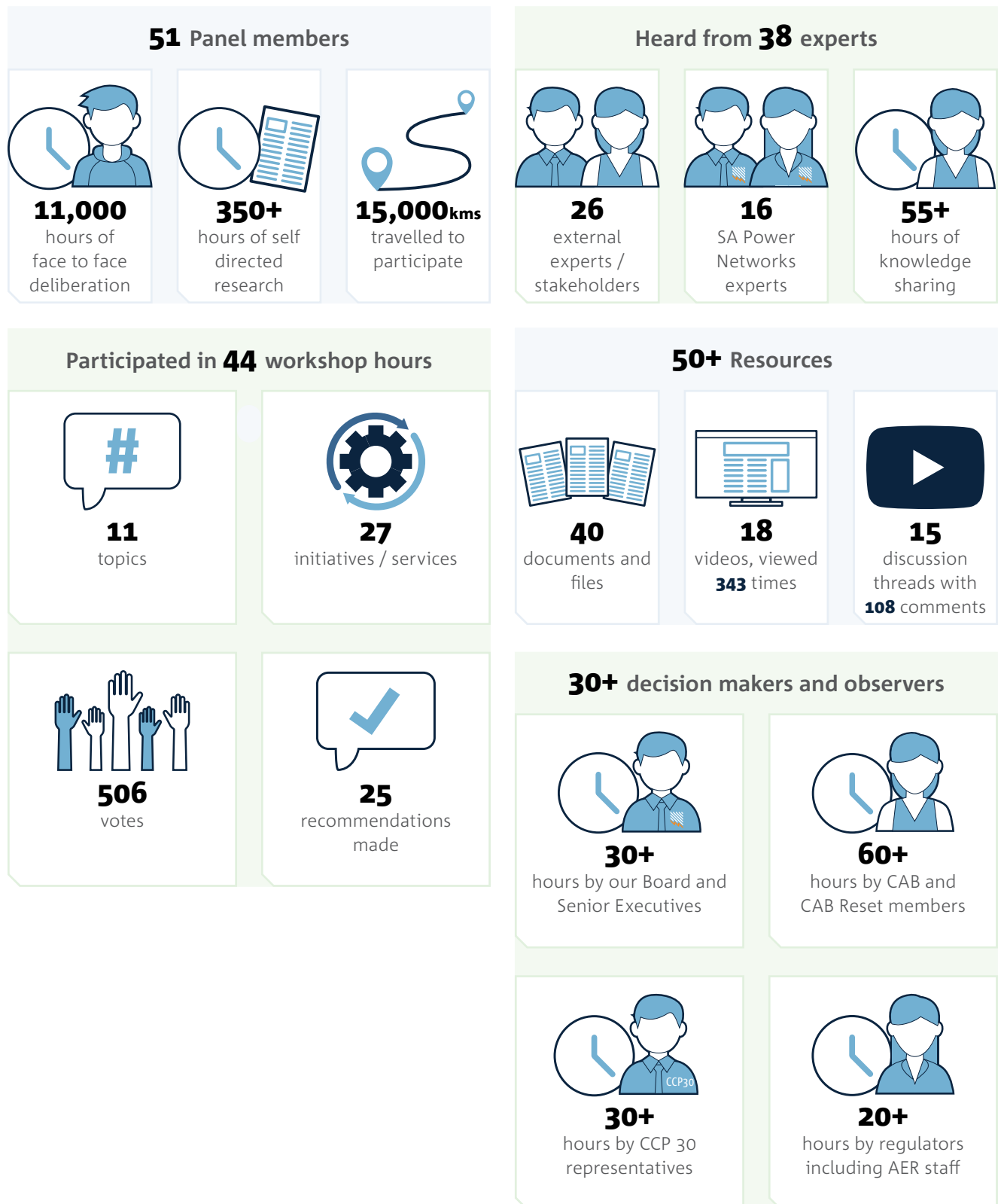
Nonetheless, the strong consensus reached by the Panel on the vast majority of topics – particularly when paired with the broad consistency between their recommendations and those of the Focused Conversations as well as subjective guidance

provided by customers during our Broad and Diverse engagement – gave us confidence that their recommendations could be relied upon in forming up our Regulatory Proposal.

The Panel in their final report stated:

“We strongly recommend SA Power Networks present this report verbatim to the Australian Energy Regulator (the Regulator) as part of their submission. We would further recommend that the Regulator give significant consideration to the views of the Panel, as the representatives of SA Power Networks’ customers.”

Figure A6. People's Panel key statistics



4.4 Customer Values Research

Willingness to pay research (using discrete choices) was also undertaken to understand customer values and trade-offs for multiple potential services provided by SA Power Networks. This included:

- › what service outcomes customers value and are willing to pay for;
- › the relative importance of service outcomes; and
- › how customer value and willingness to pay changes across a range of socioeconomic, demographic and other factors.

The key objective was to undertake research to understand customers' views on service areas which do not currently have established or published figures or methods for expressing customer preferences in monetary terms. 1,400 respondents covering residential and business, metropolitan and regional, solar and non-solar, and all demographics completed the survey.

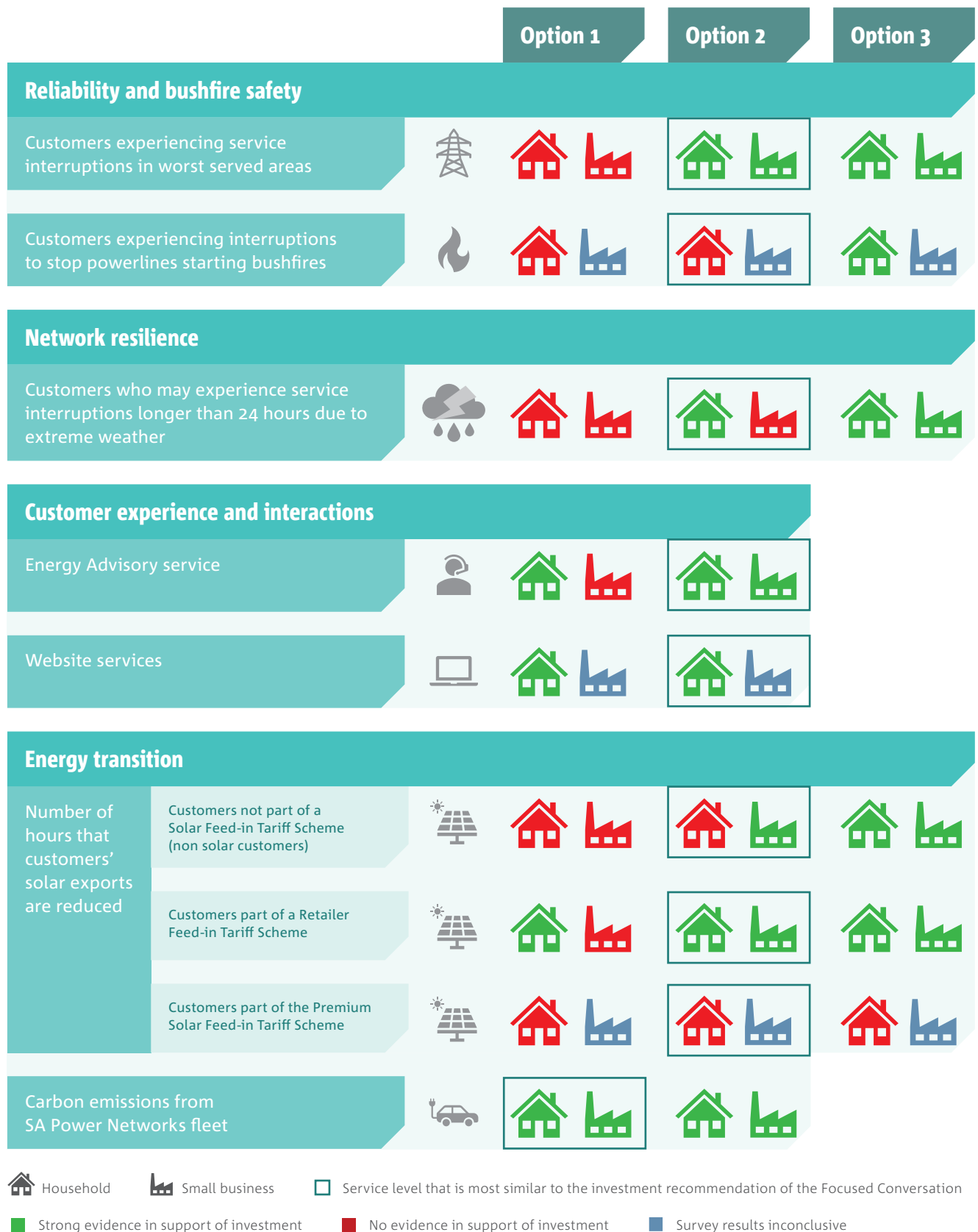
Customers were tested on how much they would be willing to pay for different service levels/ outcomes in seven areas:

1. Improving supply in worst-served areas
2. Reducing the number of interruptions to stop powerlines starting fires
3. Reducing the number of interruptions longer than 24 hours due to extreme weather
4. Providing an Energy Advisory service
5. Improving website services
6. Reducing carbon emissions from SA Power Networks' vehicle fleet
7. Reducing the number of hours that customers' solar system exports are curtailed.

Figure A7 summarises the level of support for the various options tested.

Although there appeared to be a strong willingness to pay for most services and service attributes tested, we did not use this analysis to directly develop new service options. Rather, the analysis was provided to the People's Panel as an additional input for their deliberations, and by SA Power Networks to quantitatively test the outcomes of our qualitative consumer engagement.

Figure A7. Customer Values research – support for options tested





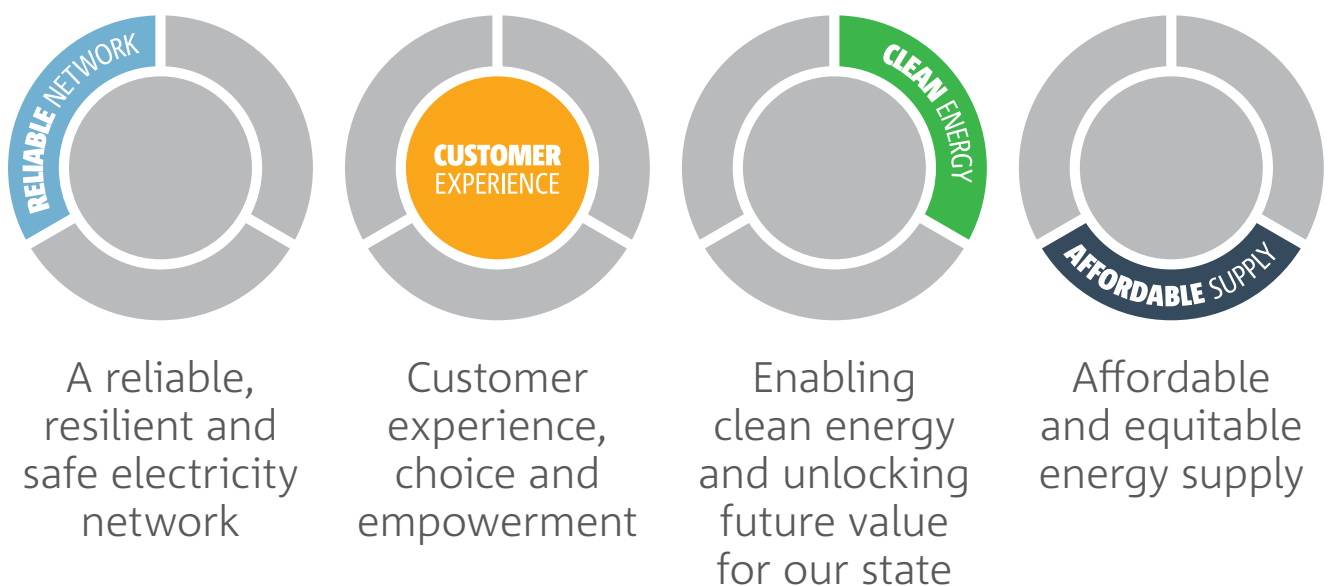
Matilda and Andrew using electrical appliances

5. Key themes arising from our engagement

Throughout our engagement, four key themes continued to recur and were reinforced and refined at each stage. These were:

- › **Maintain safety and reliability** – keep the lights on and minimise the risk of public harm from the failure or operation of network infrastructure.
- › **Deliver good service** – be easy to deal with and help customers navigate the complex choices in responding to the new energy future.
- › **Enable the clean energy transition** – since this is fundamental to mitigating climate change, and over the long-term, will result in significant reductions to customers' energy bills.
- › **Keep the price as low as possible, and play your part in improving equity** – because some customers are doing it particularly tough as interest rates and cost of living increases impact.

Figure A8. Key engagement themes



Within each theme, a number of sub-topics were identified which formed the framework for our Focused Conversations, as described earlier in this document. These were selected based on areas where:

- › customers had genuine options and choices as to the services and service levels they might prefer, and these choices would have material impacts on expenditure and therefore customer bills; and/or
- › the proposed expenditure differed materially from historical expenditure.

In the subsequent sections of this Draft Proposal, we describe the key drivers of future service needs and expenditures within each of these themes, along with the options discussed during the Focused Conversations, and ultimately those recommended by the People's Panel and taken forward into this Draft Proposal.



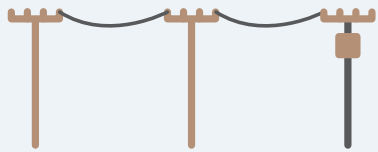
Whitmore Square Substation Central Business District

6. A reliable, resilient and safe network

Consider the following questions as you read this section:

4. How satisfied are you that the proposed service levels and expenditure to support a reliable, resilient and safe network are in the best interests of the South Australian community?
5. Do you have any other comments or feedback on our proposed services and expenditure to deliver a reliable, resilient and safe network?

Oldest distribution assets and lowest replacement rates

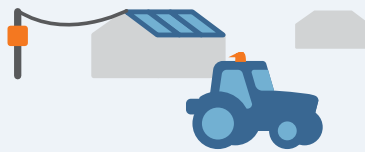


Average regional reliability and state-wide bushfire risk maintained

Increased replacement of deteriorating network assets to maintain current bushfire safety risk and geographic region reliability service levels

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

Reliability and resilience for regional and remote communities in SA



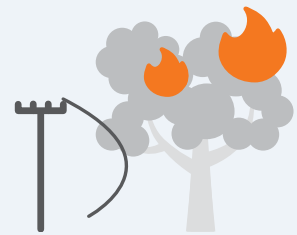
Targeted reliability and resilience improvements to worst served customers

Targeted programs to:

- › restore CBD reliability to regulated target; and
- › improve reliability for our worst served customers in regional areas (where economic)

New mobile generators to reduce impact of long duration outages for regional/remote customers

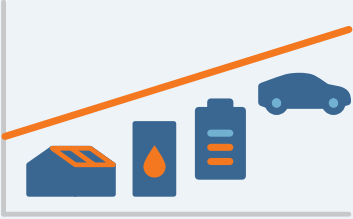
Extreme bushfire risk



Enhanced bushfire risk management

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

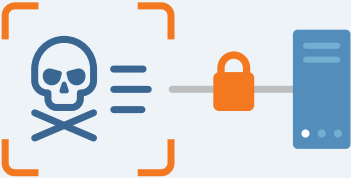
Electrification driving peak demand



Electrification supported and system security maintained

Powerline and substation upgrades to maintain system security in light of increased customer demand

Increased cyber threats



Cyber security resilience increased

New measures to exceed Australian Energy Sector Cyber Security Framework obligations by 2030

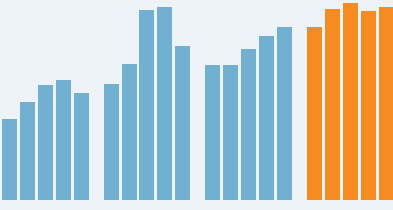
Property and Fleet upgrades to support future work program



Fleet and properties upgraded

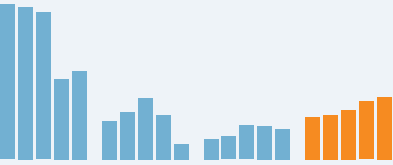
Fleet and Property upgrades (including new vehicles and depots), to meet the additional capacity required for the proposed network work plan
New transformer workshop

KEY INVESTMENTS



2010-15 2015-20 2020-25 2025-30

\$929 Million Repex



2010-15 2015-20 2020-25 2025-30

\$521 Million Augex



2010-15 2015-20 2020-25 2025-30

\$282 Million Fleet and Property

Throughout our engagement a key priority from our customers has been to maintain safety and reliability – to keep the lights on and minimise the risk of public harm from the failure or operation of network infrastructure.

Achieving these outcomes requires ongoing investment in our network, particularly given the deteriorating condition of our ageing assets and a forecast for growth in demand for electricity in the decade ahead.

At the same time, customers have told us to keep the price as low as possible and play our part in improving equity.

6.1 Key opportunities and challenges

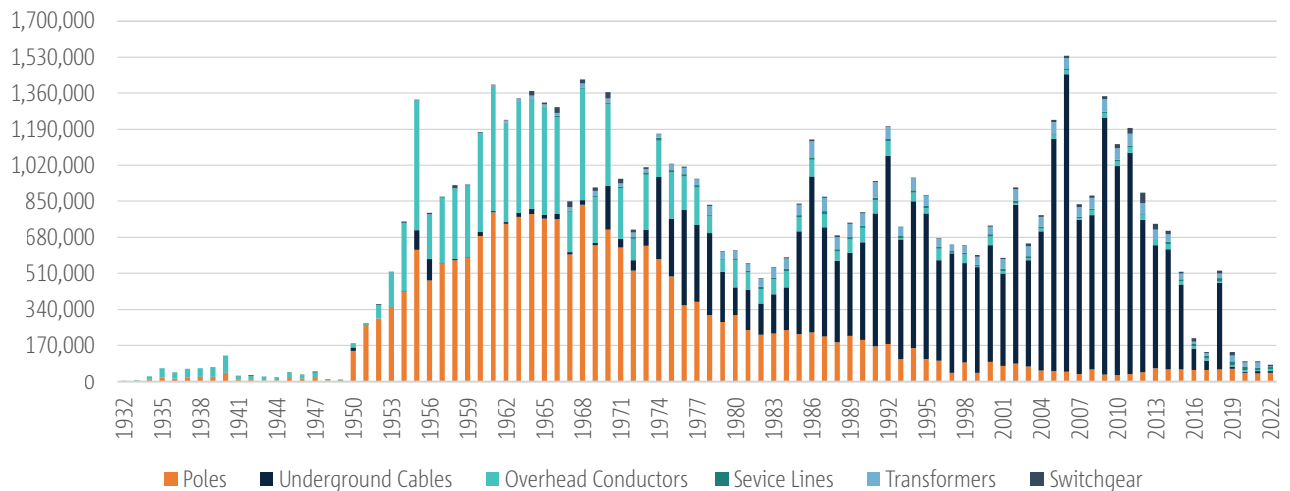
6.1.1 The condition of our network is deteriorating

SA Power Networks has one of the oldest electricity distribution networks in Australia and the

construction profile has been uneven – with a large proportion of our network constructed in the

1950s, 1960s and 1970s. Much of this network will reach the end of its life in the coming decades.

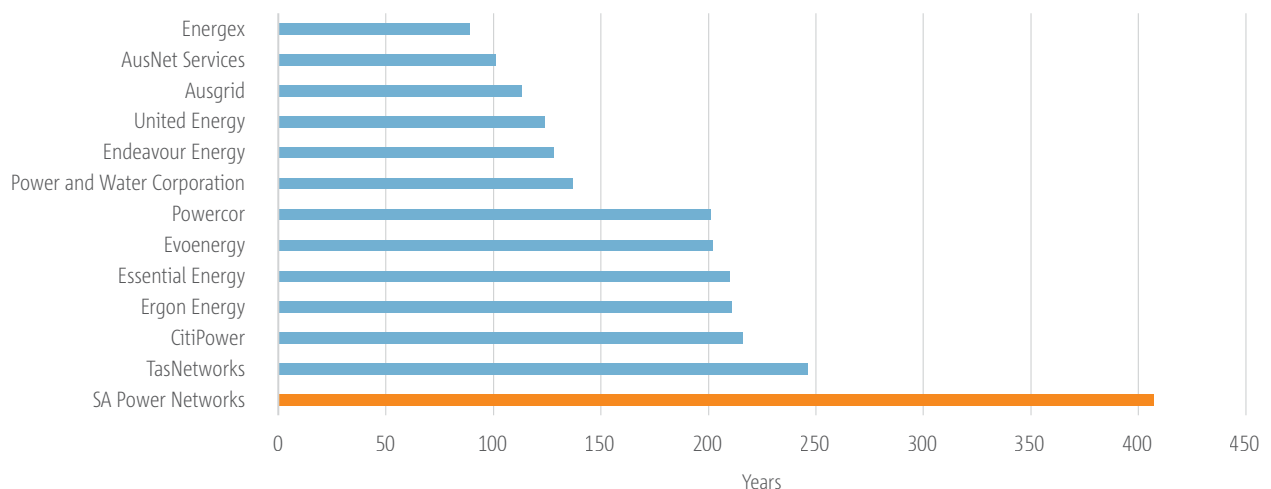
Figure A9. SA Power Networks asset age profile



Given the long lives of the assets that make up the network, SA Power Networks has replaced relatively little of the network constructed to date.

In fact, we have maintained the safety and reliability of our network with the lowest asset replacement rate in the NEM.

Figure A10. Implied asset lives of various distribution businesses



While a low replacement rate of long-lived assets is appropriate when the assets are relatively new, this is not sustainable in the long-term. Without

an increase in replacement rates, failure of in-service network assets will increase, leading to a gradual deterioration of service levels for

customers and endangering the safety of the community.

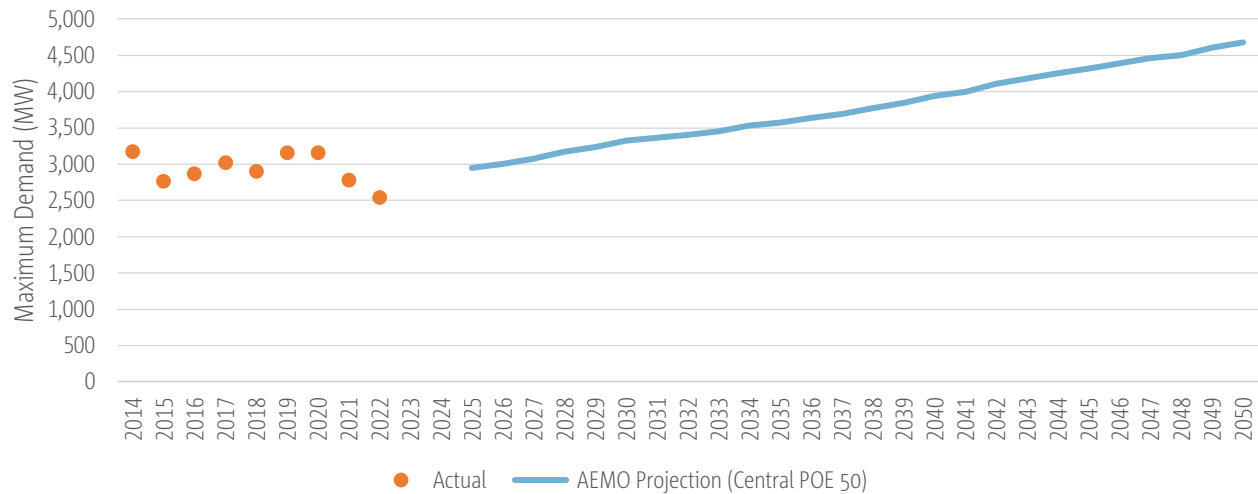
6.1.2 The demand on our network is increasing

In the coming decade the demand on our network will gradually increase as our customers move more of their energy needs to electricity.

The Australian Energy Market Operator (AEMO) notes in its latest forecast for electricity demand that while we can expect strong growth in rooftop solar

Photo Voltaic (PV) systems, demand will increase through the take up of electric vehicles and the shift from gas to electricity.

Figure A11. AEMO SA maximum demand forecast



Source: AEMO ISP2022

In recent years demand on our network has seen relatively little growth due to the widespread uptake of rooftop PV. This has seen

investment in the capacity of our network at much lower levels than in earlier decades. While the uptake of PV is expected to continue, this will

be more than offset by the increasing demand from electric vehicles and electrification of homes.

6.1.3 The reliability our customers experience varies across South Australia

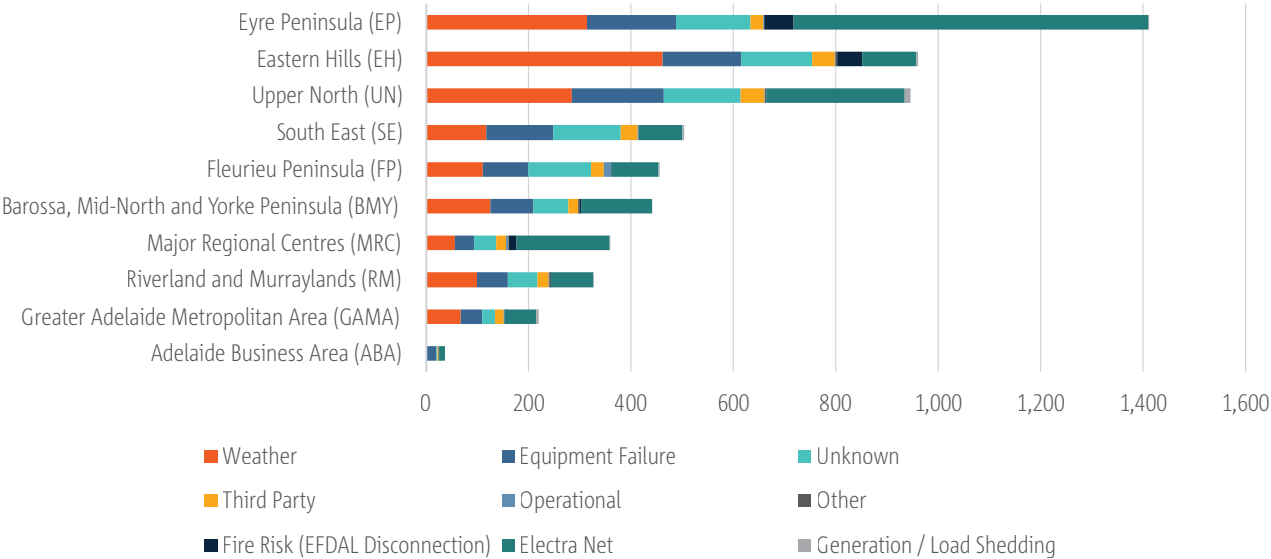
With recent increases in network expenditure we have managed to meet the reliability targets in most regions set out in the South Australian Electricity Distribution Code (EDC) published by the jurisdictional regulator, the Essential Services Commission of South Australia (ESCoSA). However, the reliability of our network in the Adelaide CBD is worsening.

Also, while we have generally been meeting regulated targets (other than in the CBD) – and on average our customers are experiencing less outages – customers in some regions suffer significantly more outages than the state average.

Rural and remote communities supplied by long, radial networks particularly feel the effects of

long duration outages. Critical infrastructure in these areas rely on a consistent power supply to deliver essential services such as water, health care and telecommunications.

Figure A12. Average minutes off supply per region



Source: SA Power Networks data

The Adelaide CBD network performance has been worse than the EDC target due to an increased number of underground cable

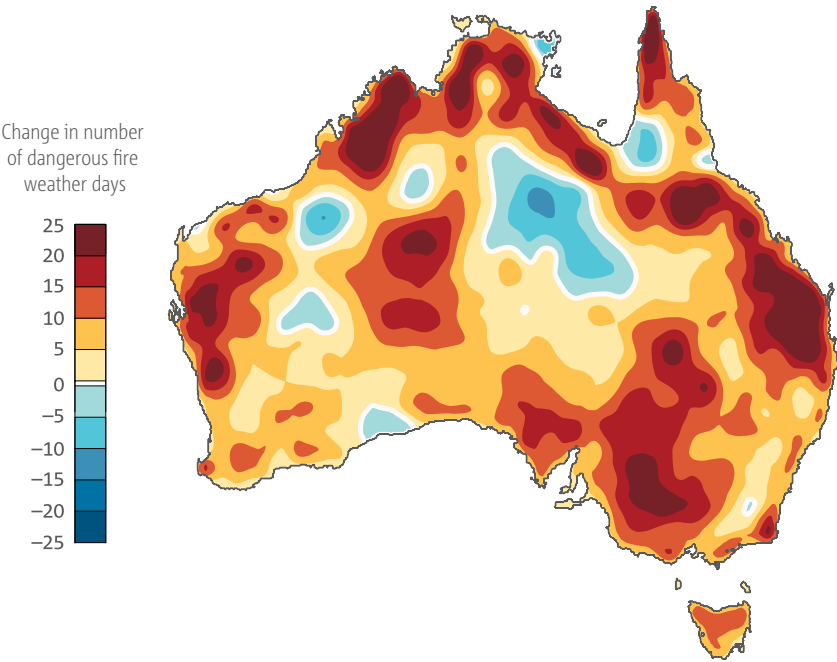
faults. Without an increased works program, over the coming decades we can expect this performance to deteriorate further as the condition

of the underground CBD cable network continues to degrade.

6.1.4 The risk of bushfire is increasing

Although we have robust business-as-usual practices to manage the bushfire risk each season (including pre-bushfire season powerline patrols, inspections and vegetation management), faults on our network can still result in fires. During the bushfire season, any one of these fires has the potential to result in a major bushfire that can result in significant losses to the South Australian community. Climate change will likely contribute to more frequent and severe high bushfire risk conditions increasing the risk to the community.

Figure A13. Projected increase in risk of bushfire incidents



2022 State of the Climate, The Bureau of Meteorology and CSIRO, © 2022 Commonwealth of Australia

6.1.5 Increasing cyber security threats

Recent cyber events affecting large corporations have demonstrated the growing importance of cyber security. As an operator of critical infrastructure, we have an obligation under the Security of Critical Infrastructure Act relating to the security and resilience of our network.

6.1.6 Our properties are in poor condition and have limited capacity

The majority of our depots across the state are in relatively poor condition and have limited capacity. Our properties are critical in supporting our electricity supply services by maintaining and storing essential network assets and providing a base for field staff and their equipment responding to unplanned and planned power outages. An independent assessment of our sites found the property portfolio to be ageing and beyond useful life. About 90% of the property portfolio has been assessed to be in very poor condition, with over 25% of our assets reaching the end of their useful life in the 2025-30 period. These require significant capital upgrades and/or replacement to ensure continued and safe service delivery.



SA Power Networks' crew working at the site of a bushfire

6.2 Options discussed with stakeholders

Through a series of Focused Conversations, we discussed investment options for the 2025-30 period in eight topic areas: Reliability and bushfire safety, CBD reliability, Assets and Work, Vegetation

management, Security of supply (capacity), Network resilience, Information Technology (IT) cyber security, and Property.

The tables below outline the scenario options discussed, the forecast expenditure involved (based on Iteration 3 forecasts) and the indicative bill impacts above the Basic option.

6.2.1 Scenarios discussed with stakeholders

The tables show our annualised capex and new opex expenditures. At the end of each table is the expenditure and the average annual bill impacts (above Scenario 1)

per annum. This is as compared to total annual average residential distribution bills estimated at \$580 for residential customers and \$4,190 for business customers.

Table A4. Reliability (excl CBD) and Bushfire Safety, CBD reliability, Assets and Work (Scenario 3 only)

Scenario 1: Basic	Scenario 2: Maintain	Scenario 3: New Value
Continue current level of asset replacement and reliability expenditure. Discontinue our bushfire mitigation program (safety augmentation). Reliability deteriorates with some regions impacted more than others. Adelaide CBD reliability continues to worsen, failing to meet regulated reliability target. Bushfire risk from asset failures increases.	Increased asset replacement expenditure targeting those assets that present greatest risk to safety and reliability, including high risk cables in CBD. Safety expenditure to mitigate bushfire risk at current levels. Reliability (excl Adelaide CBD) is maintained by geographic region at current levels. CBD reliability is restored to regulated reliability target. Bushfire risk is maintained at current levels.	Investment in Assets and Work program to improve efficiency of our network investment. Further replacement expenditure targeting those assets that present greatest risk to safety and reliability. Targeted reliability augmentation to reduce outages for our worst served customers (in Eyre, Upper North and South East regions). Safety augmentation expenditure (where economic) to reduce overall risk of bushfire. (Stakeholders also asked us to consider other bushfire safety initiatives. We explored these with customers and it was agreed these were uneconomic to pursue).
\$152.4 Million p.a.	\$211.3 Million p.a.	\$235.7 Million p.a.
Bill impact (above Scenario 1: Basic)		
Residential Business	\$11.30 \$88.50	Residential Business \$18.30 \$143.90

Table A5. Vegetation management

Scenario 1: Basic	Scenario 2: Maintain	Scenario 3: New Value
-	-	Stakeholders strongly recommended new expenditure to underground powerlines in high bushfire risk areas and new programs to remove saplings and woody weeds
No expenditure	No expenditure	\$19.2 Million p.a.
Bill impact (above Scenario 1: Basic)		
-	Residential Business	\$4.40 \$34.30

Table A6. Security of supply capacity and Network resilience

Scenario 1: Basic	Scenario 2: Maintain	Scenario 3: New Value
Continue current level of capacity augmentation expenditure, noting increased demand. Potential for: - overload of equipment in our network during heatwaves leading to outages; and - wide area outages in metropolitan Adelaide for a single equipment failure in our network during heatwaves. No improvement in resilience.	Network upgraded to ensure sufficient capacity for increasing demand, including during heatwaves. Security of supply is maintained to current standard, mitigating risk of wide area outages in metropolitan Adelaide for a single equipment failure (where economic). No improvement in resilience.	As for Scenario 2 with further investment to reduce the risk of wide area outages in regional areas for unlikely events. (Other capacity initiatives were also explored with customers but it was determined these were not required next period). Increased resilience with reduced impact of long duration outages with improved ability to restore supply in rural/remote areas using mobile generation.
\$4.3 Million p.a.	\$41.2 Million p.a.	\$52.8 Million p.a.
Bill impact (above Scenario 1: Basic)		
	Residential Business	\$6.20 \$48.50
	Residential Business	\$8.50 \$66.20

Table A7. IT Cyber security

Scenario 1: Basic	Scenario 2: Maintain	Scenario 3: New Value
Maintains current level of cyber mitigation but results in failure to meet the requirements of the Australian Energy Cyber Security Framework and would leave our network and systems vulnerable to cyber-attack.	Meet requirements of Australian Energy Sector Cyber Security Framework (expected by the end of 2030)	Exceed requirements of Australian Energy Sector Cyber Security Framework (expected by the end of 2030)
\$5.2m p.a.	\$13.9 Million p.a.	\$16.1 Million p.a.
Bill impact (above Scenario 1: Basic)		
Residential Business	\$5.30 \$41.60	Residential Business \$6.60 \$52.00

Table A8. Property

Scenario 1: Basic	Scenario 2: Maintain	Scenario 3: New Value
Not discussed	Renew, refurbish and replace existing properties (including with new depots) to meet the additional capacity needed in several depots including Mount Barker, Port Augusta.	Additional expenditure for a new transformer workshop.
\$14.2 Million p.a.	\$23.1 Million p.a.	\$24.3 Million p.a.
Bill impact (above Scenario 1: Basic)		
Residential Business	\$1.40 \$10.90	Residential Business \$1.70 \$13.40

6.3 Feedback and how this shaped our proposal

Throughout our engagement process there were clear recurring themes in the feedback we received in relation to maintaining a safe and reliable network:

- › Customers support investment in replacing our deteriorating assets to avoid increasing risk of bushfires and outages, particularly in the face of climate change.
- › It is important to consider equity between regions and customers when investing in the reliability of the network – metropolitan Adelaide customers experience significantly better reliability than their regional counterparts. There is also diversity between regional areas and the performance they experience.
- › The important role of the CBD in attracting investment - and investment is required to meet reliability targets.
- › Customers did not want security of supply in the network to be reduced with increasing demand for electricity.
- › Customers strongly supported the need to invest in cyber security given the critical role of electricity.
- › Customers recognised the need to respond to the condition of our property assets to maintain safe, suitable and efficient working environments to support our service provision.

We have taken these views into consideration in developing and refining our proposal.

Table A9 summarises more specific feedback we received on the topics canvassed in detail through our Focused Conversations, and how we have responded in our Draft Proposal.



People's Panel members Brandon and David

Table A9. Feedback received and our response

Topic	What we heard	People's Panel recommended scenario	Our response
Reliability (excl CBD) and Bushfire Safety CBD reliability Assets and Work	Stakeholders did not want reliability in any region to deteriorate and felt that reliability should be improved for our worst served regions/ customers. Stakeholders felt we should be investing to reduce the risk from bushfires, particularly given the potential increased risk from climate change. Stakeholders supported investment in the reliability of the Adelaide CBD to meet our jurisdictional service standard.	Scenario 3	Included in our Draft Proposal.
Vegetation management	While stakeholders in the Focused Conversations strongly supported undergrounding in high bush fire risk areas the People's Panel did not support the undergrounding program when presented evidence that undergrounding costs were significant. The programs for woody weed and sapling removal were supported.	Scenario 3 without the undergrounding program but retaining the woody weed and sapling removal programs.	We support the recommendations and have not included investment for the undergrounding initiative. We will investigate commencing the woody weed and sapling removal programs this regulatory period within current allowance. No new expenditure for these programs is included in this Draft Proposal.
Security of supply capacity Network resilience	Customers did not want to see the security of supply eroded. There was support for a modest investment in more mobile generators to improve resilience with stakeholders encouraging SA Power Networks to partner with others in improving community resilience to outages. There was also support to establish a resilience fund.	Scenario 2 for Security of supply capacity, Scenario 3 for Network resilience. - Security of supply capacity maintained. - Reduction in impact of long duration outages for regional/ remote customers through more mobile generators.	Included in our Draft Proposal. We are also proposing a new Innovation Fund, refer Section 10.4.1.
IT Cyber security	Customers acknowledged the need to meet the expected requirements of the Australian Energy Cyber Security Framework.	Scenario 3 Strongly recommended an increase above the Focused Conversation recommendation: to invest in additional expenditure and exceed expected legislated requirements by 2030.	Included in our Draft Proposal.
Property	Customers supported the need to invest in renewing, refurbishing and replacing our property assets so that they are fit-for-purpose to support future service delivery and investing in a new transformer workshop.	Scenario 3 Property maintained and new transformer workshop.	Included in our Draft Proposal.



People's Panel member David

6.4 Our proposal

Based on the recommendation of our People's Panel we propose the following:

Table A10. Our proposal

Topic	Proposal	Expenditure (capex and new opex)
Reliability (excl CBD) and Bushfire Safety	Invest in replacing deteriorating assets to maintain the current safety and geographic regional reliability levels of the network.	\$955.1 Million capex (5 years)
CBD reliability	Investing in targeted augmentation programs to: ▶ reduce the risk of bushfire (where economic) and minimise the impact of public safety power shutoffs; ▶ restore the reliability of the CBD to regulated reliability target; and ▶ improve regional reliability, low reliability feeders and rural long feeder supply restoration.	\$122.7 Million capex (5 years)
Assets and Work	Invest in next stage of Assets and Work to deliver network investment more efficiently.	\$34.6 Million capex (5 years) \$2.3 Million opex p.a. Offset by \$30 Million capex (5 years) efficiency adjustment for network expenditure)
Vegetation management	No new undergrounding program nor new expenditure for woody weed and sapling removal	\$0
Security of supply capacity	Increased investment to maintain Security of supply capacity in light of increased demand.	\$168.7 Million capex (5 years)

Topic	Proposal	Expenditure (capex and new opex)
Network resilience	Invest in new mobile generators to reduce impact of long duration outages for regional/remote customers. Community resilience fund component included in new 'Innovation Fund'.	\$16.8 Million capex (5 years)
IT Cyber security	Increased cyber security investment to exceed Australian Energy Sector Cyber Security Framework obligations on the basis that, by 2030, the cyber threat landscape will have significantly evolved and customers will be exposed to greater impacts of cyber risk as the electricity grid becomes a more fundamental part of their lives due to increased electrification	\$2.4 Million capex (5 years) \$13.9 Million opex p.a.
Supporting the network expenditure uplift	Invest in refurbishing and replacing existing fleet and properties (including new vehicles and depots), and investing in to meet the additional capacity required to enable the proposed network work plan. Additional expenditure for a new transformer workshop and upgrade of more depots.	\$37.0 Million capex (5 years) \$5.2 Million opex p.a.
Other expenditure related to enabling a reliable, resilient and safe network	Less material expenditures on the network that were recurrent and/or did not involve service trade-offs that customers could reasonably provide advice on.	\$215.9 Million other Repex and Augex (5 years) \$248.0 Million other Fleet and Property capex (5 years)
Total expenditure related to enabling a reliable, resilient and safe network	-	Repex - \$929.4 Million Augex - \$520.9 Million Property and Fleet - \$282.2 Million IT (A&W, Cyber) \$39.8 Million capex New opex \$21.5 Million p.a.

Have your say

Page 93 has details on how you can provide feedback.



Heather working in her home office

7. Customer experience, choice and empowerment

Consider the following questions as you read this section:

6. How satisfied are you that the proposed service levels and expenditure to manage customer experience are in the best interests of South Australian customers?
7. Do you have any other comments or feedback on our proposed services and expenditure to deliver improved customer experiences?
8. How satisfied are you with the proposed measures for the new Customer Service Incentive Scheme?
9. Do you have any other comments or feedback on the proposed measures, targets or weighting for the new Customer Service Incentive Scheme?

Responding to customers' desire for improved information and more responsive, accessible services



Desire for more timely, accurate and personalised online services

Replacing multiple legacy customer facing solutions with a consolidated, secure and fit for purpose solution

\$38 Million IT capex

Outcomes for customers:

- › More accurate and timely outage information
- › Accessible and seamless online experiences
- › Cyber risk and customer data will be securely managed
- › Real-time solar and network constraint information will be available

New Customer Service Incentive Scheme to improve customer experience

New scheme to incentivise:

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

Flexible connections options enabling increased customer energy resources

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

Our customers have more options than ever before to meet their electricity needs, and they have told us that they are becoming more reliant on uninterrupted power supply. More flexible working arrangements, such as increased working from home, are contributing to this sentiment. Additionally, changes in technology and the rapid uptake of Customer Energy Resources (CER) such as solar and batteries are also fundamentally transforming the way customers use energy and want to interact with us.

This increasing reliance on electricity and our customers' need for accurate information about their power supply is reflected in the changing way customers communicate with us and their expectations of our services, which people are accessing at increasing rates. For example, in 2022, SA Power Networks:

- › sent approximately 6.4 million text messages related to power outages.
- › received 9.6 million page views and 2.4 million visits to the website to report or view power outages, amongst other page visits (an increase of 1 million views from the previous year).
- › processed 31,000 requests for new, altered or abolished connections.
- › conducted approximately 3.9 million customer electricity meter reads (and sent 260,000 text messages related to these visits).
- › answered over 300,000 phone calls.



People's panel members Tristan and Alex with SA Power Networks' subject matter expert Caprice

7.1 Key opportunities and challenges

7.1.1 Customer expectations have evolved – there is a need for timely and accurate information

In addition to the energy transition underway and the increasing reliance on uninterrupted power – or accurate information to plan for outages – advancements in technology in other sectors continue to drive expectations in terms of customer service. Through extensive customer research conducted in late

2021, involving over 400 hours of qualitative and quantitative research with more than 1,200 people, we heard our customers expect great digital experiences, with many expecting personalised and on-demand services 24/7. Electricity reliability, safety, and affordability remain key concerns for customers,

but we also heard the quality of the service we provide to customers really matters to them.

Put simply, our customers have told us that how we have done things in the past is no match for what they want from us now, and into the future.

7.1.2 The energy industry is too complex for customers to navigate

Research also told us that customers found the energy market difficult to navigate, and often felt helpless when dealing with the electricity industry. This perspective was echoed and reinforced by participants through our Broad and Diverse and Focused Conversation stages of the engagement program, with customers encouraging SA Power Networks to consider an Energy Advisory service to help them make informed decisions about their energy options.

Interestingly, members of the People's Panel, who became very knowledgeable about the industry across many immersive days with industry experts, ultimately recommended against the introduction of an Energy Advisory service funded by all customers, although they acknowledged the complexity and challenges faced by customers when making informed energy-related decisions about their home or business.

Given the extensive and almost universal support we heard from other customers through the research and in earlier stages of our engagement, we are still eager to understand the community's thoughts and views on the need for a comprehensive Energy Advisory service; whether SA Power Networks could have a role to play in delivering such a service; and whether the costs to provide this service should be recovered from all customers in our tariffs or as a service charged on a fee basis to those individual customers who request and use the service. We invite any feedback on this.

7.1.3 Customers expect accessible, secure and useable services

A number of our digital services currently do not comply with modern accessibility standards, meaning that our services do not adequately support those customers who rely on assistive technologies or who

face language barriers. Many of our outdated technologies are also not supportive of mobile interfaces, resulting in frustrating experiences for an ever-increasing number of customers preferencing mobile

devices. Our ageing technology architecture, underpinned by outdated practices, is also exposing us to an increased cyber security risk.

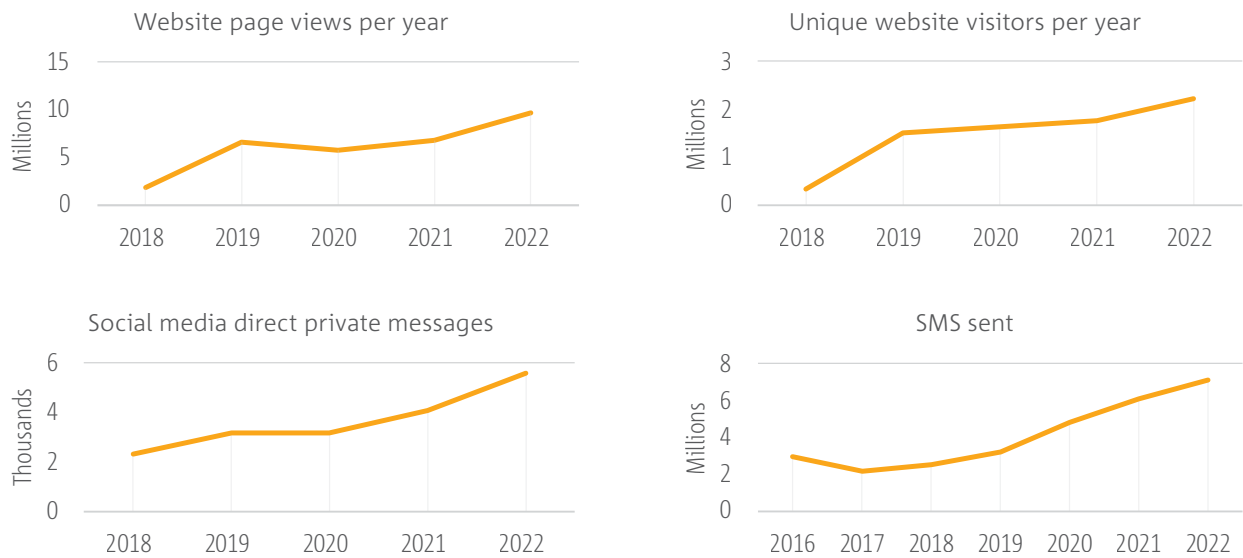
7.1.4 Delivering great service outcomes for customers requires a focus on digital capabilities and process efficiencies

While SA Power Networks has historically invested in systems and technology to deliver a reasonable level of online and SMS services to customers, these services have not

been improved in many years. The current process and systems in place to manage customer service are inefficient, legacy systems that are not designed to and cannot support

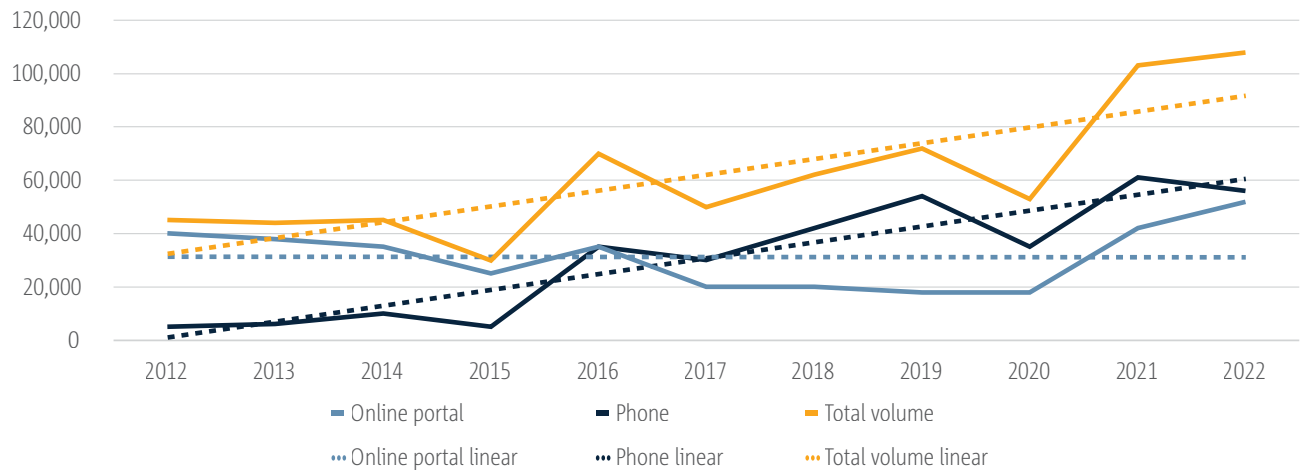
the demand for fast, seamless, and self-service capabilities which are being increasingly sought after by our customers. Demand for online services is increasing year on year.

Figure A14. Key customer electronic interaction statistics



Source: SA Power Networks data

Figure A15. Outage reporting



Source: SA Power Networks data

Engagement on this theme explored a range of options and scenarios for investment in digital channels to improve experiences and provide quicker, more accurate and comprehensive services for customers.

The feedback from customers, both through the research and through all stages of the engagement program, confirmed that improving the customer experience was important, and that customers are looking for us

to enable new services and give them greater flexibility and choice in how they interact with us.

7.2 Options discussed with stakeholders

The feedback in earlier stages of engagement helped shape the four key topics presented as part of our Focused Conversations program:

- › Personalised and on-demand services.
- › Energy Advisory service.
- › Customer Service Measures and Incentives.
- › Connection Policy, Procedure and charges.

Through the Focused Conversations program we discussed alternative investment options for the 2025-30 period for Personalised and on-demand services and a new Energy Advisory service.

7.2.1 Scenarios discussed with stakeholders

The tables show our annualised capex and new opex expenditures. At the end of each table is the expenditure and the average annual bill impacts (above Scenario 1)

per annum. This is compared to total annual average residential distribution bills estimated at \$580 for residential customers and \$4,190 for business customers.

Table A11. Personalised and on-demand services

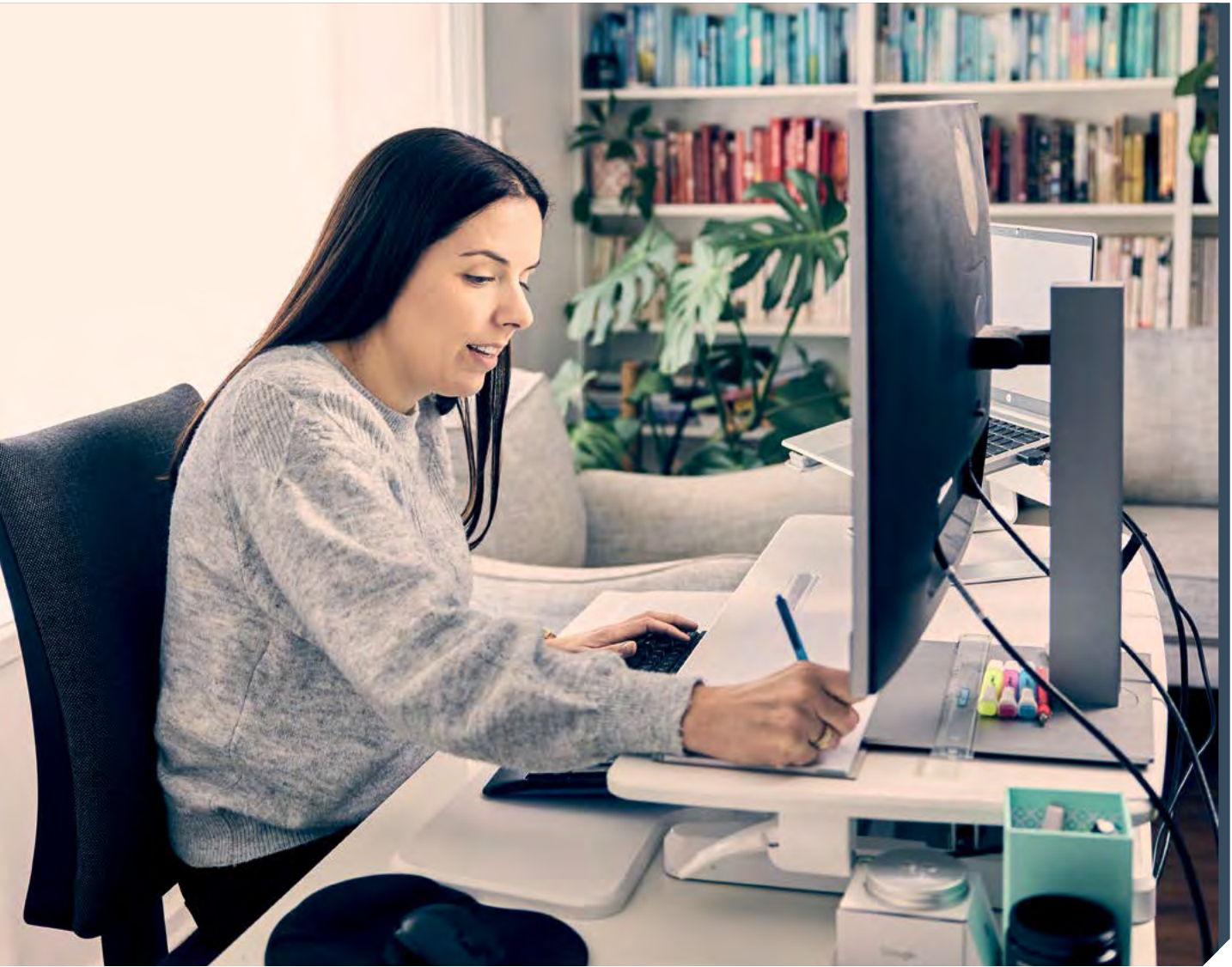
Scenario 1: Basic	Scenario 2: Maintain	Scenario 3: New Value
Basic self-service (as is): customers can self-serve for a few core interactions only, accessibility limitations will continue to exist for customers who consume digital services through mobile devices and/or require the use of assistive technologies.	Customer system replacement and consolidation: replace and consolidate ageing customer facing systems with modern fit-for-purpose solutions which improve customer experience, improve digital service accessibility, and deliver internal operational efficiencies.	Digital customer experience uplift: provide customers with new digital services that cater to a broader range of customer service needs, including hosting new services for customers as part of the energy transition. In addition, provide customers with new channels of interaction with SA Power Networks such as webchat and a mobile application.
No expenditure	\$6.1 Million p.a.	\$12.8 Million p.a.
Bill impact (above Scenario 1: Basic)		
Residential Business	\$4.30 \$34.00	Residential Business \$9.00 \$70.30

Table A12. Energy Advisory

Scenario 1: Basic	Scenario 2: Maintain	Scenario 3: New Value
Basic – current limited Energy Advisory service: a small section of our business provides specific advice to customers at local community and field events.	New Energy Advisory service: an online self-service platform with limited telephone service assisting customers in core matters including electricity education, bill and tariff advice, electrification and smart home/ business including solar and battery advice, electric vehicles, and advice on carbon reduction.	Comprehensive Energy Advisory service: an online self-service platform and comprehensive telephone/in person service comprising all services in Scenario 2. This comprehensive service would also include partnering with community organisations to ensure advisory services are accessible for harder to reach/ vulnerable customers.
No expenditure	\$2.5 Million p.a.	\$4.9 Million p.a.

Bill impact (above Scenario 1: Basic)

Residential Business	\$1.50 \$12.00	Residential Business	\$3.10 \$24.30
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Jessica working from her home office

7.3 Feedback and how this shaped our proposal

Through our stakeholder engagement process we heard:

- customers are seeking access to more accurate and timely information and want greater levels of self-service through improved digital channels, however there were differing views on the appropriate levels of expenditure (and customer price impact) to deliver desired improvements.

- simple information and impartial advice for customers is needed given complexity of industry. However views differed as to whether it was the role of SA Power Networks to provide this service.

Table A13 summarises feedback we received on these two topics and how we have responded in our Draft Proposal.

Table A13. Feedback received and our response

Topic	What we heard	Peoples Panel recommended scenario	Our response
Personalised and on-demand services	The Focused Conversations recommendation, taken to the People's Panel for discussion, was for Scenario 3 – a Digital Customer Experience uplift. However at the People's Panel no consensus was reached on this topic.	No consensus.	Our Draft Proposal includes more modest expenditure for IT customer system replacement and consolidation and scaling down service improvements. We consider this to be a balanced and reasonable response that will address the increasing risks and operational inefficiencies due to our ageing systems, while also delivering the best value service improvements for customers.
Energy Advisory	The Focused Conversations recommendation, taken to the People's Panel for discussion, was for Scenario 3 – a Comprehensive Energy Advisory Service. However there were also some views expressed that it should not be the role of SA Power Networks to provide such a service. The People's Panel included the comprehensive energy advisory service as part of its draft recommendations, but then removed it from their final recommendations following feedback from some external stakeholders that these services should be delivered by other providers.	Did not support SA Power Networks providing the Energy Advisory Service.	Not included in Draft Proposal.

7.4 Our proposal

In line with the final People’s Panel recommendations, no expenditure is proposed for an Energy Advisory Service. The proposed capital and

operating expenditure for the Personalised and on-demand services initiative is summarised below.

Table A14. Our proposal

Topic	Proposal	Expenditure (capex and new opex)
Personalised and on-demand services	Replace multiple legacy IT systems with a consolidated, secure and fit for purpose solution.	\$38.1 Million capex (5 years) \$2.9 Million opex p.a.

7.5 Customer service measures and incentives

Customer expectations are changing and their advice on customer service priorities is for timely and accurate information and resolving queries on first contact.

We are proposing to introduce a new Customer Service Incentive Scheme (CSIS) for the 2025-30 period. We have also been engaging closely with the jurisdictional service regulator, ESCoSA, on the customer service measures contained in the Service Standard Framework for the 2025-30 period.

Current measures for both frameworks centre around the response time to answer telephone calls.

We believe these are no longer reflective of customer service priorities or the changing ways that customers interact with us, such as the increasing footprint of digital channels. Current measures also do not consider quality of communication or information provided to customers.

We presented and discussed with customers and stakeholders a range of options that could be included as part of a CSIS or a refreshed regulated customer service measure. Options included regular customer satisfaction tracking, first call resolution, and new social media response times. Feedback on this topic confirmed that any new

measures should consist of ‘hard’ data measures rather than subjective measures (such as customer satisfaction tracking) and should allow timely action and response by SA Power Networks.

Table A15 outlines the measures which the CSIS could comprise.

Our CAB has endorsed these measures for further engagement and we will continue to work with them to refine details of the scheme.

We also invite feedback on these from other interested stakeholders.

Table A15. Customer service incentive scheme measures under consideration

Proposed measure	Description	Current performance	Proposed target	Proposed weighting
First call resolution – General enquiries phone line	A greater number of customer general enquiry calls would be resolved on the first customer contact, avoiding delays in response time or the need to follow up.	54%	65%	30%
Timely restoration status updates	More timely information would be shared with customers via the website and SMS regarding the progress we are making restoring their unplanned outage.	57%	67%	70%

7.6 Connection policy, procedure and charges

We discussed with customers and stakeholders, including members of our Connections Working Group, proposed changes for the 2025-30 Connections Policy. Stakeholders supported changes to the Policy that will introduce firm and flexible load and/or export pricing methodology for new connection services to support a two-way network. This has been updated in response to increased uptake of distributed energy technology by customers such as solar, batteries and electric vehicles.

Specific updates to the Policy include:

- › Lower upfront costs for customers selecting a flexible option (where applicable).
- › A 'Firm Capacity' option for load and or generation customers, where capacity is reserved for the customer (including in demand/constraint forecasting) but not guaranteed under certain network operational scenarios.
- › A 'Flex' option for certain types of customers where the customer has agreed to dynamically adjust their import or export power profile to operate within network operating limits therefore may not be charged an augmentation cost.

- › A 'Load plus Generation' pricing option to ensure there is no double counting for those choosing a load and generation connection (such as Battery Energy Storage Systems, Load and solar combinations).

We will consult on proposed changes for our 2025-30 Connections Policy with our Connections Working Group and other key industry stakeholders in late 2023.

Have your say

Page 93 has details on how you can provide feedback.



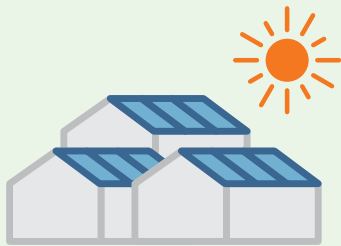
Solar panels on the roof of Andrew and Jessica’s home

8. Enabling clean energy

Consider the following questions as you read this section:

10. How satisfied are you with the proposed expenditure to maintain export-service levels for South Australian customers with solar systems?
11. Do you support our proposal that the required network upgrades to deliver these export-service levels are funded by customers with a solar system via an 'export tariff' rather than being funded by all customers?
12. Do you support our approach to the transition of our fleet to electric vehicles?
13. Do you support the proposal to encourage customers to adopt 'flexible loads'?
14. Do you have any other comments or feedback on the proposed services and expenditure to enable the transition to clean energy?

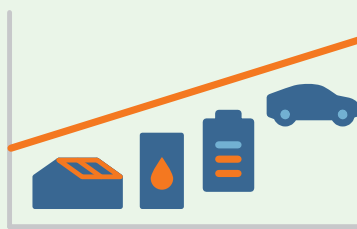
World leading Customer Energy Resources uptake



Increased capacity for solar

Network upgrades to keep solar curtailment below 5% for most customers

Electrification driving peak demand



Encouraging flexible loads

New services to enable and reward load flexibility and smart EV charging

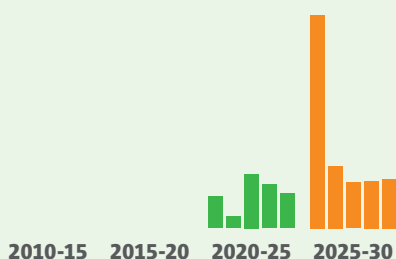
Decarbonisation of our fleet



Transitioning our fleet to EVs

A gradual, cost-neutral approach, phasing in EVs as it becomes economic to do so

KEY INVESTMENTS



\$98 Million CER Capex

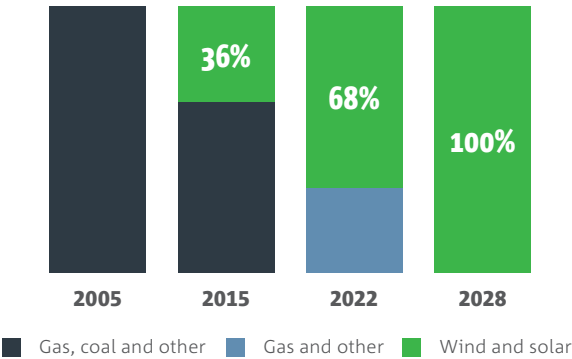
South Australia is leading the world in the transition to renewable energy. More than one in three customers have installed solar, more than anywhere else in the world, and we continue to lead the nation in the uptake of home batteries. We also have a growing number of large-scale

wind and solar farms across the state, harnessing South Australia’s natural abundance of renewable resources.

Today, more than 68% of South Australia’s electricity needs are already met by renewable energy. By 2030, the end of our next regulatory period, the South Australian grid will

have reached net-100% renewable generation and South Australia will be a significant exporter of renewable energy to the rest of the nation. More than 60% of homes and businesses will have rooftop solar and electric vehicles will be a common sight on South Australia’s roads.

Figure A16. South Australian region electricity demand met by renewables



Source: SA Power Networks analysis of AEMO data

Over the coming decade, clean, reliable, affordable electricity will become a key foundation of economic growth and prosperity in South Australia – reducing cost of living for customers, improving competitiveness of existing businesses and attracting new energy-intensive industries and those seeking to reduce their carbon footprint.

Our distribution network plays a central role in enabling this transition. As rooftop solar continues to make up an even larger portion of the state’s generation mix, the state’s energy system becomes increasingly reliant on SA Power Networks’ electricity network to supply and redistribute this energy. We are at the forefront nationally in our efforts to adapt the network to operate in a 100%

renewable energy future, with initiatives pioneered in South Australia such as ‘solar sponge’ tariffs, home battery ‘virtual power plants’ and ‘flexible export’ connections for solar now being adopted across the NEM. Over the 2025-30 period we propose to substantially complete the transition to a truly ‘two-way’ distribution network able to support a 100% renewable electricity system.

8.1 Key opportunities and challenges

8.1.1 The continued growth of rooftop solar

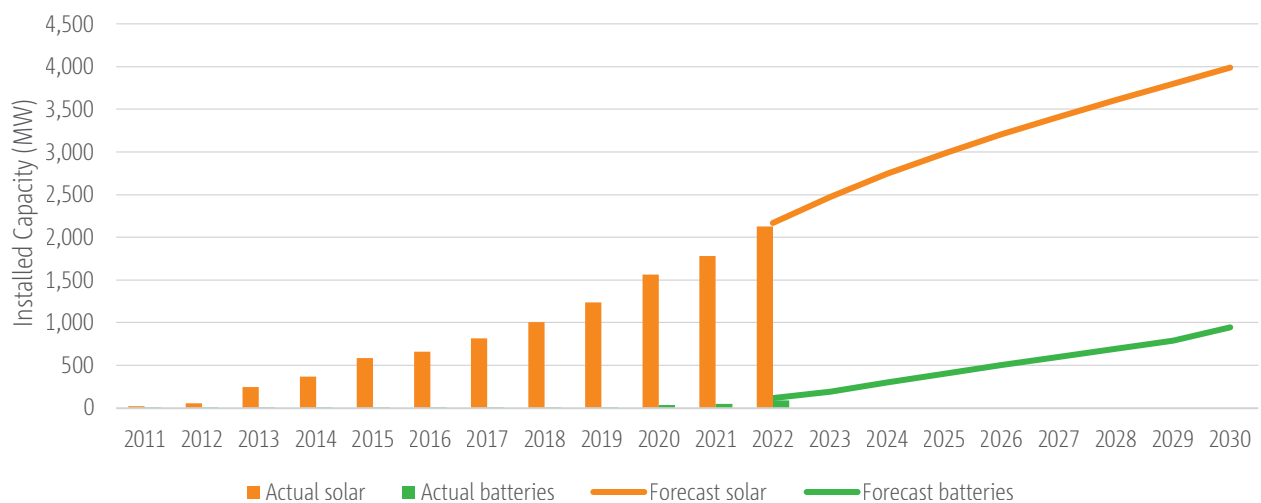
There are currently 330,000 homes and businesses in South Australia that have rooftop solar, with a combined capacity of 2.2GW, making rooftop solar by far the biggest generator in the state. During spring and summer there are times when more than 90%

of the entire electricity needs of the state are supplied by rooftop solar alone.

In October 2021 the net load on our distribution network fell below zero for the first time and we now

regularly experience reverse power flows across large areas of the network during sunny conditions. No other large-scale electricity network in the world is operating in this way.

Figure A17. South Australian customer energy resources forecasts



Source: AEMO ISP2022, Step Change Scenario

We have made considerable progress in the last five years in adapting our network to accommodate higher levels of solar. We have invested in improved voltage management across the network and we have successfully implemented Australia's first 'flexible exports' connection scheme for rooftop solar, a technology that takes advantage of the capabilities of modern smart solar inverters to dramatically increase the amount of solar we can connect to the network.

As rooftop solar continues to grow in the 2025-30 period, however, reverse power flows during mild, sunny weather will exceed the capacity of our network assets across many parts of the network, particularly in the low voltage (LV) network. When this occurs, we need to limit customers' solar output in the middle of the day to stop the network becoming overloaded. This 'solar curtailment' reduces the feed-in tariff benefits for solar customers and reduces the amount of low-cost green energy in the system for others. Today this happens in certain areas only, and for

less than two percent of the time. It will become increasingly common in future as solar uptake grows unless we invest in adding more network capacity to meet growing demand for service. The main component of our proposed Customer Energy Resources (CER) integration expenditure is a program of targeted investments to add additional capacity in congested areas so that solar customers can continue to export, or feed in, their surplus energy to the distribution network.

8.1.2 Batteries and Virtual Power Plants – a more dynamic energy system

Batteries, large and small, are now an integral part of South Australia’s electricity system. In addition to very large-scale batteries, like the 150MW Hornsdale Power Reserve (the world’s first ‘big battery’), which connect to ElectraNet’s transmission network, we see growing numbers of mid-sized grid-connected batteries connecting to our distribution network. This includes the community batteries planned to be rolled out in South Australia as part of the Commonwealth Government’s Community Batteries for Household Solar scheme.

There are also now more than 40,000 small-scale batteries in homes and businesses in South Australia, more than any other state. More than a third of these are enrolled in Virtual Power Plant (VPP) schemes which allow them to be centrally controlled and operated, enabling customers to earn money by using their batteries to trade in the wholesale energy market and to help stabilise the power system.

While batteries help soak up surplus daytime solar and reduce evening peak demand, the ability of batteries and virtual power

plants to switch between exporting and importing large amounts of energy in a very dynamic manner creates unique challenges for the distribution network. Since 2019 we have been developing and trialling the new systems, processes and services we need to support higher volumes of batteries and VPPs, to manage impacts on the network at least cost, and to help maximise the opportunities for customers, communities and VPPs to create value. Our 2025-30 Draft Proposal includes expenditure to further develop and scale these capabilities.

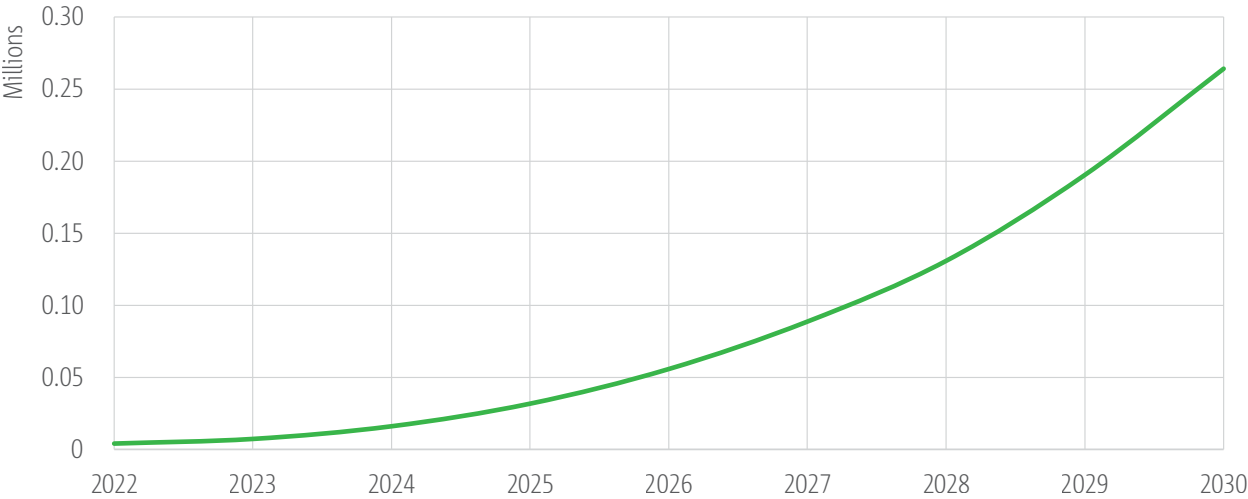
8.1.3 Electric vehicles, electrification and smarter homes

Electric vehicle uptake is poised to accelerate in Australia with more affordable models becoming available, efforts underway to roll out public charging infrastructure,

including the South Australian Government’s state-wide charging network, and national policy reforms driven by the Commonwealth Government’s new Electric Vehicle

Strategy. By 2030 we expect to see more than 250,000 EVs on the road in South Australia.

Figure A18. Electric vehicle uptake in South Australia



Source: Source: AEMO ISP2022, Step Change Scenario

The transition to electric vehicles is part of a broader trend that will see homes and businesses increasingly move towards electrification in

the 2025-30 period, replacing gas appliances with electric to access lower costs and reduce emissions. The shift to EVs and increasing

electrification will see the volume of energy delivered through our network increase by around 20% by 2030 as compared to today.

Figure A19. The future smart electric home

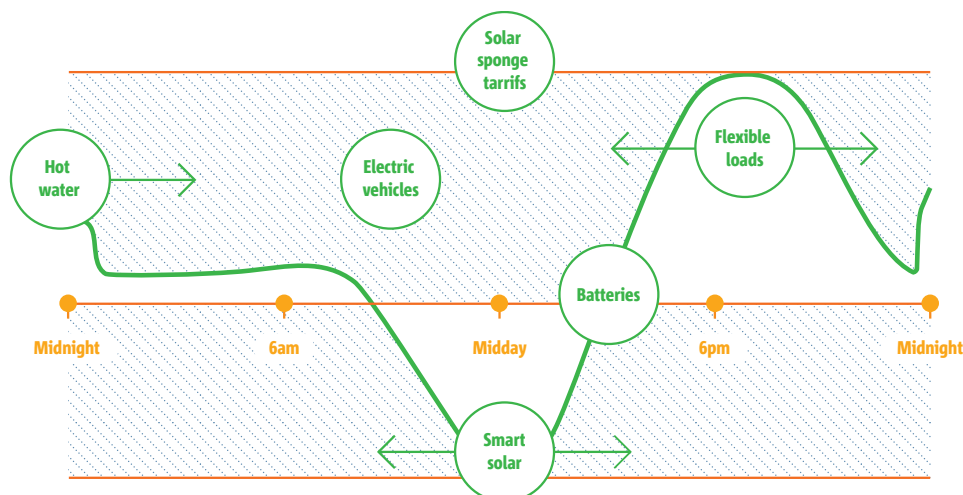


Like EVs, electric hot water systems and other appliances are becoming increasingly 'smart', able to be managed and scheduled to take advantage of rooftop solar and times when grid electricity is cheapest. This presents a tremendous opportunity

for the distribution network and our customers. By putting in place systems and processes to enable customers to take advantage of smart EV charging and the future smart, electrified home, as we have for rooftop solar with flexible exports,

we can keep much of this new load out of peak times, soak up excess daytime solar, and deliver much more energy through our existing assets. This will reduce costs to all in the long term.

Figure A20. Potential load shifting options



With demand-side flexibility we can help optimise energy use in the home, increase asset utilisation and decrease costs for all

8.2 Options discussed with stakeholders

Through a series of three Energy Transition Focused Conversations we discussed options for investment in the 2025-30 period in three topic areas:

- › Enabling distributed energy – how much should we invest in additional export capacity?
- › Encouraging flexible loads.
- › Transitioning our own vehicle fleet to EVs.

8.2.1 Scenarios discussed with stakeholders

The tables show our annualised capex and new opex expenditures. At the end of each table is the expenditure and the average annual bill impacts (above Scenario 1)

per annum. This is compared to total annual average residential distribution bills estimated at \$580 for residential customers and \$4,190 for business customers.

Table A16. Enabling distributed energy – export capacity

Scenario 1: Basic	Scenario 2: Maintain	Scenario 3: New Value
Minimise investment, no additional export capacity, manage emerging network constraints by curtailing solar output using flexible exports. This leads to progressive decline in service levels for export customers.	Targeted investments to add capacity only in locations where the forecast future market value of the additional solar exports exceeds the cost of the upgrade. Average customer service level is improved compared to Scenario 1 but varies considerably across the network.	Investments to maintain a target service level for export customers across the network. Various service level options were considered and stakeholders favoured a target service level of 95%. This means that most solar customers can expect to be able to export all their surplus energy to the distribution network 95% of the time, but may have their solar output reduced 5% of the time, when the network is congested.
\$6.2 Million p.a.	\$16.6 Million p.a.	\$20.9 Million p.a.
Bill impact (above Scenario 1: Basic)		
Residential Business	\$2.70 \$20.20	Residential Business \$3.40 \$26.70

The indicative bill impacts shown for 'Enabling distributed energy – export capacity' are an average across all (Export and non-export) customers. Export tariffs will reduce the average Residential bill for non-exporting customers by around \$3 p.a. and increase the average bill for exporting customers by around \$7 p.a.

Table A17. Encouraging flexible loads

Scenario 1: Basic	Scenario 2: Maintain	Scenario 3: New Value
No new services to customers, VPPs or other market participants to enable or incentivise load flexibility.	Develop the following services: › New 'dynamic operating envelope' flexible load connection capabilities for residential and business customers. › Tariff incentives for smart appliances. › Flexible load connection options for large loads e.g. highway EV charger sites or community batteries. Data publication services for market participants (network capacity).	As in Scenario 2, but with additional services specifically to support VPPs, retailers, aggregators and others with network data to enable greater participation of these resources in the post-2025 market.
No new expenditure	\$2.8 Million p.a.	\$3.5 Million p.a.
Bill impact (above Scenario 1: Basic)		
	Residential Business \$1.20 \$9.60	Residential Business \$1.30 \$10.60

Table A18. Transitioning our vehicle fleet to EVs

Scenario 1: Basic	Scenario 2: Maintain	Scenario 3: New Value
Maintain current vehicle replacement processes.	Take a cost-neutral approach to transitioning our vehicle fleet to EVs where we will only replace a petrol or diesel vehicle with an EV if it costs the same or less than the vehicle being replaced over its lifetime.	Accelerate the transition of our vehicle fleet by bringing forward replacement of some heavy vehicles with EVs to reduce carbon emissions.
No new expenditure	\$0.8 Million p.a.	\$3.9 Million p.a.
Bill impact (above Scenario 1: Basic)		
	Residential Business \$-0.70 \$-5.20	Residential Business \$1.60 \$12.20

8.3 Feedback and how this has shaped our proposal

Throughout our stakeholder engagement program there were some very clear recurring themes in the feedback we received in relation to our role in South Australia's energy transition:

- › Customers strongly support investment in modernising the network to support the transition to a clean energy future in South Australia.
- › Customers strongly supported the transition to EVs and felt it was important that our network connection process supports the rollout of public charging infrastructure in South Australia.
- › Customers wanted to be able to make the most of their own smart and flexible resources, but found the energy system complex and hard to navigate.
- › It is important to ensure no one is left behind in the energy transition, particularly vulnerable customers and those who aren't able to access solar and other Customer Energy Resources of their own.

We have taken these views into consideration in developing and refining our proposal.

Table A19 summarises more specific feedback we received on the three topics canvassed in detail through our Focused Conversations, and how we have responded in our Draft Proposal.



People's Panel members Judith and Kathleen

Table A19. Feedback received and our response

Topic	What we heard	Peoples Panel recommended scenario	Our response
Enabling distributed energy – export capacity	Stakeholders did not want export service levels to decline significantly; solar customers expect to be able to export their surplus energy without being limited frequently. Stakeholders felt we should engage with customers to determine how much to invest based on the level of service customers want. Stakeholders favoured an investment approach that provided more equity of service levels between customers across the network over one that targeted those areas that were lowest cost to upgrade.	Scenario 3, targeted investments in additional capacity to maintain an export service level of 95% for most customers.	Included in our Draft Proposal.
Encouraging flexible loads	Strong recognition that smarter and more flexible customer devices would play a key role in making the future energy system operate efficiently. Of the two possible levels of investment considered, most stakeholders favoured the higher level based on the expected importance of VPPs and aggregated resources in the future market.	Scenario 3, establish systems for flexible load connections and to support VPPs, aggregators and other market participants.	Included in our Draft Proposal. We consider that these services will create immediate opportunities for customers with smart devices to save money, but more importantly will reduce the need to upgrade the network and help improve the efficiency of the energy system overall, which leads to lower costs for all customers in the long term.
Transitioning our vehicle fleet to EVs	Most stakeholders felt in principle that SA Power Networks should aim to accelerate its fleet transition to EVs but most did not support the accelerated option proposed, due to customer bill impact. Some stakeholders did not favour bringing forward the replacement of heavy vehicles but suggested we should look to accelerate the transition for passenger vehicles first, as this increases supply to the second hand market.	Scenario 2, a cost-neutral transition.	Included in our Draft Proposal. We will seek opportunities to transition vehicles as early as possible but only when economic to do so, and to the extent there are opportunities to accelerate the transition we will focus on our passenger fleet first.

8.4 Our proposal

Based on the recommendation of our Peoples Panel we propose:

Table A20. Our proposal

Topic	Proposal	Expenditure (capex and new opex)
Enabling distributed energy – export capacity	Investments to maintain a target service level for export customers across the network. Various options were considered and stakeholders favoured a target service level of 95% for most customers. This means that most solar customers can expect to be able to export all their surplus energy to the distribution network 95% of the time, but may have their solar output reduced 5% of the time, when the network is congested.	\$76.8 Million capex (5 years) \$0.8 Million opex p.a.
Encouraging flexible loads	Develop the following services: › new ‘dynamic operating envelope’ flexible load connection capabilities for residential and business customers. › tariff incentives for smart appliances. › flexible load connection options for large loads e.g. highway EV charger sites or community batteries. › data publication services for market participants (network capacity). › additional services specifically to support VPPs, retailers, aggregators and others with network data to enable greater participation of these resources in the post-2025 market.	\$15.0 Million capex (5 years)
Transitioning our vehicle fleet to EVs	Take a cost-neutral approach to transitioning our vehicle fleet to EVs where we will only replace a petrol or diesel vehicle with an EV if it costs the same or less than the vehicle being replaced.	\$8.4 Million capex (5 years) \$-0.4 Million opex p.a.
Total Expenditure		CER \$97.8 Million capex (5 years)* Fleet \$8.4 Million capex (5 years) \$0.4 Million opex p.a.

includes \$6 Million CER compliance costs, discussed in **Part B*

8.5 Export tariffs

A recent change to the National Electricity Rules introduced the concept of export tariffs as a means for distribution networks to recover the cost of investments made specifically to add more export capacity to the network. The idea is to recover these costs via a small charge on each unit of energy exported (fed in) to the distribution network above a certain level, rather than through the normal tariff on energy consumed from the distribution network. This means that these costs are recovered from those customers whose use of the network is driving the need for the investment and are not borne by customers who do not have solar and do not require the additional capacity. This aligns with the general pricing principle in National Electricity Rules (NER) that network tariffs should be cost-reflective.

Our proposed investment in additional export capacity to maintain a target export service level of 95% for most solar customers represents around three percent of our total capital expenditure program in the 2025-30 period. In practice, recovering the cost of this program through a network export tariff in 2025-30 would have the effect of reducing a solar customer's retail feed-in credit by around 1c/kWh for energy exported between 10am and 4pm above a free allowance of 9kWh per day.

The rules allow us discretion as to how and when to introduce export tariffs, and we have engaged extensively with stakeholders on this matter through a series of Tariff Focused Conversation workshops and in our People's Panel. Our Focused Conversation workshops developed and considered the following three options:

- › Option one — 1 July 2025: All Export Customers (New* and Existing) be assigned to an export tariff at the beginning of the 2025-30 period.
- › Option two — 1 July 2030: No export tariffs be introduced in the 2025-30 period.
- › Option three — All New Export Customers* be assigned to an export tariff from 1 July 2025. No export tariffs would be applied to Existing Export Customers in the 2025-30 period.

*For the purposes of consultation we defined a New Export Customer as a customer with CER installed on or after 1 July 2023.

Option one was recommended as the preferred option by the Focused Conversation stakeholders as it was considered the most equitable option and allows for clear, simple communications to all customers.

Our People's Panel subsequently deliberated on these options. The Panel discounted Option three, but did not reach consensus on a preferred option. Half the panel preferred Option one, while half preferred to delay the introduction of export tariffs until after 2030.

As the People's Panel was not able to reach consensus, SA Power Networks is adopting the recommendation from the Focused Conversations workshops. This approach is supported by our Tariff Working Group and CAB. We propose to introduce export tariffs for all residential and business customers with small embedded generation (solar and/or battery systems less than 30kW in capacity), from 1 July 2025. No export tariffs will be applied for medium to large exporting customers (greater than 30 kW in capacity) – who typically connect at higher voltages in our network (where there is no congestion forecast) and pay up-front towards any capacity required to support their individual connections.

The introduction of export tariffs reduce average bills for non-exporting residential customers around \$3 p.a. on average.

Further details on our proposed new export tariffs are outlined in **Part B** of this document.

Have your say

Page 93 has details on how you can provide feedback.



Ian working from his home office

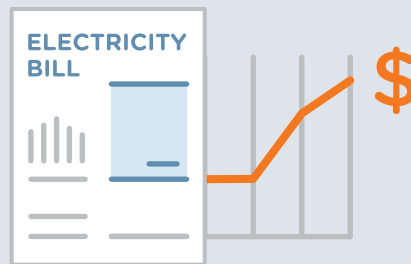
9. Affordable and equitable energy supply

Consider the following questions as you read this section:

15. How satisfied are you with the proposed service levels and expenditure to expand the ‘Knock before you disconnect’ program for vulnerable South Australian customers?

16. Do you have any other comments or feedback on the proposed services and expenditure to support affordable and equitable energy supply?

Energy affordability



Affordability as a continuous lens

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

Customers understood the total bill impacts of their recommendations at every stage

Internal challenge to deliver customer outcomes as efficiently as possible

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

Customer guidance on affordability

Customers recognised the opportunity presented by:

- › SA Govt FiT scheme expiry in 2028
- › lower depreciation allowances
- › energy transition and electrification

Resulting in proposed expenditure largely only to maintain existing services and service levels, with modest expenditure for targeted improvements only where significant customer value and support

Solar export tariff

Proposed introduction of a solar export tariff to reduce costs for customers who don't have, or can't access, solar

Our advocacy role

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

Knock before you disconnect

Program to support customers avoiding disconnections

\$0.3 Million p.a. opex

Access to essential services, such as electricity, is necessary to sustain the health and wellbeing of our community. Currently, affordability of energy and the rising cost of living is an issue affecting many Australians and is a topic of considerable national and state debate. The affordability of energy is an issue across Australia and is influenced by a range of factors. While our charges are now around 25% of the typical average residential electricity bill, SA Power Networks has an important role to play in ensuring electricity remains affordable.

Given current challenges, ensuring an Affordable and Equitable Energy Supply for our customers was a key overarching theme of our engagement program and overall approach to the 2025-30 Regulatory Proposal. We were strongly encouraged by stakeholders to ensure the community voice was at the forefront of our core decision-making about overall customer price impacts across all expenditure areas and tariff designs proposed in this Draft Proposal. At the same time, under this theme we also discussed with stakeholders a range of options, programs and initiatives designed to support customers who are in vulnerable circumstances.

This engagement theme also allowed us to continue to discuss and refine the current initiatives we are delivering as part of our Vulnerable Customer strategy, which was developed in conjunction with our Community Reference Group in 2019.



9.1 Key opportunities and challenges

We know that for many customers, a sizeable part of their income is spent on energy, especially for people from vulnerable and diverse backgrounds. For some customers, electricity costs account for five percent or more of their disposable income. Similarly, for energy-intensive businesses, energy can make up a significant component of their costs. Our engagement under this theme discussed options for delivering an affordable and equitable electricity supply for all our customers, while ensuring adequate investment to support customers' desired service levels.

We are very aware of our role in managing an essential community asset for the long term. In that context we have been conscious that we should balance the needs and

demands of customers now with those of the customers of the future, which includes not passing on today's costs to future generations.

We also acknowledge that while customers can significantly reduce their costs through new technologies such as solar, batteries and electric vehicles, or more efficient appliances, many of our customers do not have the means or opportunity to invest in this cost-saving technology.

Balancing desired service levels with an affordable electricity price, as well as how we could support more customers in vulnerable circumstances, were some of the key areas we discussed with stakeholders and customers under this topic.

In particular we wanted to understand:

- › What can/should SA Power Networks provide to help support customers in vulnerable circumstances?
- › What is the role of distribution network service providers?
- › Where should we focus our efforts?
- › What level of service would our customers support?



Members of SA Power Networks Executive Team at the People's Panel

9.2 Options discussed with stakeholders

Participants at our Broad and Diverse workshops discussed and identified a range of possible programs that SA Power Networks could invest in to improve equity and support vulnerable customers. The initiatives discussed, in order of consumer preference, were:

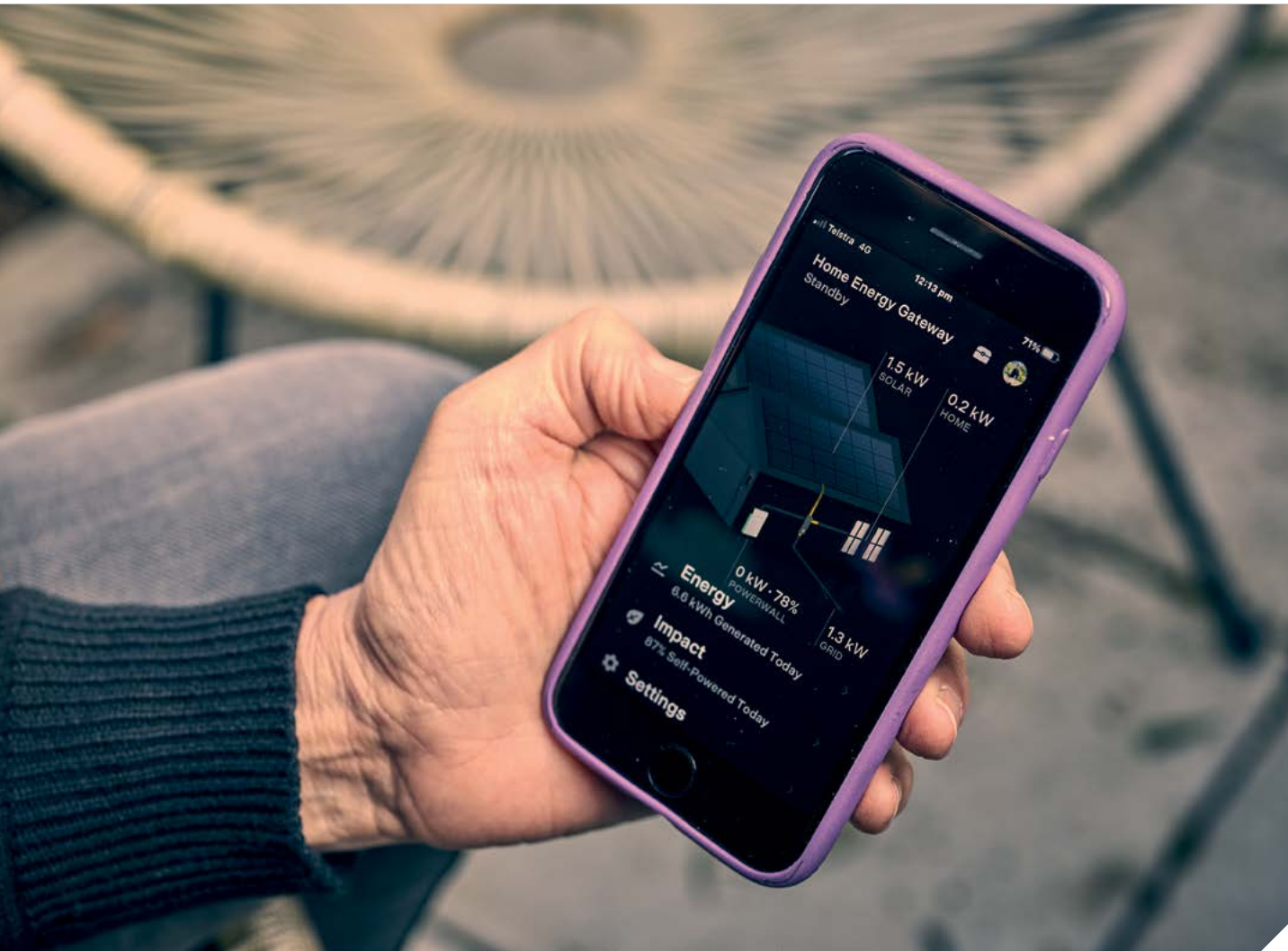
- › Solar for Renters program
- › Vulnerable Customer Assistance Program
- › Life support customer changes
- › An ‘Essentials’ network tariff
- › Provision of education/information/advice
- › A review of the outage and damages claims scheme

Following the feedback received from the Broad and Diverse workshops, further engagement involved:

- › Focused Conversation workshops that explored how we could support vulnerable customers and understand what would work in South Australia.
- › 13 possible initiatives explored in depth by external stakeholders and SA Power Networks staff, focusing on initiatives that would bring most value to customers.

Throughout all stages of the engagement program we worked closely with our vulnerable customer advocates to ensure the views of customers in vulnerable circumstances were given a strong voice throughout these engagement activities.

Following further engagement and internal refinement, the following key ‘New Value’ initiatives were explored with stakeholders as part of the Focused Conversations, listed in Table A21.



Heather checking her solar generation and battery energy use with the Tesla smart home app

9.2.1 Scenarios discussed with stakeholders

The tables show our annualised capex and new opex expenditures. At the end of each table is the expenditure and the average annual bill impacts (above Scenario 1)

per annum. This is compared to total annual average residential distribution bills estimated at \$580 for residential customers and \$4,190 for business customers.

Table A21. New value initiatives discussed with stakeholders

Program		Expenditure and annual bill impact
Solar for renters	We explored a number of options to provide ‘solar as a service’ to improve access to rooftop solar for people renting or other customers in difficult circumstances. The two preferred options were: › SA Power Networks or third party-delivered scheme with no bill impact. Tenants would participate voluntarily, with landlord’s consent, and tenant pays for the solar through a charge added to the electricity service charge. › SA Power Networks to advocate for SA Government-led rental support scheme.	Not applicable.
Community batteries and Community Energy Fund	There was significant interest in community batteries which could deliver a broad range of benefits and establishing a potential new Community Energy Fund to support community-led energy initiatives.	\$1.2million p.a. Residential \$0.70 Business \$5.50
Vulnerable Customer Assistance Program	Develop a program to assist vulnerable customers that includes: › Small grants for customers to improve energy efficiency. › SA Power Networks new van to support the community during periods of extended outages.	\$0.5million p.a. Residential \$0.30 Business \$2.50
Disconnections – Knock before you disconnect program	Program to make a site visit pre-disconnection part of business as usual. Trials over the last few years have proved successful, with more customers facing disconnection engaging with their retailers. There are approximately 40,000 disconnection requests for non-payment per annum, with an estimated 10,000 disconnections completed every year.	\$0.5million p.a. Residential \$0.30 Business \$2.30
Life Support Customers	Advocating for a rule change to redefine who a Life Support Customer is, which would allow us to improve the services and support we can provide them.	Not applicable.
Outage and damages claims	Develop a refreshed claims scheme provided by SA Power Networks, which would ensure that customers impacted by network-related incidents are able to receive compensation for their losses (where not covered by household insurance) to avoid leaving customers out of pocket and pushing many people into vulnerable circumstances.	\$2.5million p.a. Residential \$1.50 Business \$11.90
Essentials/ Basic Network Tariffs	We discussed a demand-managed service aimed at avoiding large levels of consumption and therefore large bills. This could be open to all Residential customers on an ‘opt in’ basis with an interval meter.	Not applicable.

9.3 Feedback and how this shaped our proposal

Throughout our engagement process there were some very clear recurring themes in the feedback we received in relation to equity, vulnerable customers and affordability:

- › While there was strong community support for SA Power Networks playing a part in improving equity and assisting customers in vulnerable circumstances, there were mixed views about the role we should play, as opposed to the role of Government, consumer advocacy groups or retailers. We were encouraged to adopt a strong advocacy position to support people in vulnerable circumstances.
- › All customers should have access to an affordable and reliable supply of electricity. SA Power Networks' priority should be ensuring people stay connected to supply.
- › It is important to ensure no one is left behind in the energy transition, and all people can access the benefits of solar and other technologies to help reduce energy costs.
- › There is a need to develop programs that provide long-term support that are more than quick fix or band-aid solutions.
- › Education and information are crucial as the electricity industry is complex and hard to navigate.

Table A22 details specific feedback we received on affordability and equitable supply initiatives explored through our engagement, and how we have responded in our Draft Proposal.



Jessica, Harvey, Matilda and Andrew family time

Table A22. Feedback received and our response

New value initiative	What we heard	People's Panel recommended scenario	Our response
Solar as a service	It is important to ensure no one is left behind in the energy transition, and all people can access the benefits of solar and other technologies to help reduce energy costs. However, this should not be SA Power Networks' role.	Not supported.	We will continue to advocate to State Government on programs that may assist those that are locked out of solar or energy efficiency measures, for various reasons, to gain access to the benefits of such investments.
Community energy fund	Although there was significant interest and support in our Focused Conversations for establishing a new Community Energy Fund to support community-led energy initiatives, the Panel did not support this initiative.	Not supported.	We are adopting the Panel's recommendation and have not included a Community Energy Fund in our Draft Proposal.
Vulnerable customer assistance program	Strong community support for SA Power Networks to play a part in assisting customers in vulnerable circumstances, but mixed views about the role we should play, as opposed to the role of Government, consumer advocacy groups or retailer.	Supported the program provided it is funded 50/50 by SA Power Networks' profits.	We have not included this program in our Draft Proposal as we have not established an economic case to support this program. We will continue to advocate for programs with State Government and investigate redirecting our existing philanthropic funds to improve energy efficiency for low income customers.
Knock before you disconnect program	This program was strongly supported by the Focused Conversations and all People's Panel members. It provides access for vulnerable customers to access government or charity resources prior to any disconnection	Supported.	Included in our Draft Proposal.
Claims and Damages	While there was support from the Ombudsman and State Government to move towards a scheme similar to that in Victoria this was not identified as a priority by the People's Panel	No consensus.	Not included in our Draft Proposal. We are discussing the merits of a refreshed scheme with the SA Government.
Life Support Customers	Customers broadly supported a review of current Life Support Customer criteria to reduce the growing numbers of registered Life Support Customers – in order to provide more targeted services to those who need it.	As there was no expenditure associated with this item, this initiative was not taken to the People's Panel.	Not included in our Draft Proposal. We are pursuing a Rule Change Submission to redefine Life Support Customer criteria with members of the Energy Charter.
Basic/Essentials Network Tariff	Due to the divergent stakeholder views and complexity of this initiative, this was not explored beyond early stages of engagement.	As there was no consistent customer support, this initiative was not taken to the People's Panel.	Not being considered further at this time.

9.4 Balancing affordability and service

In general, customers recognised that average annual bills will reduce with the South Australian Government’s solar Photo Voltaic feed-in tariff (FiT) scheme expiring in 2028. They also recognised that many of our existing network assets will become fully depreciated over the next period, lowering our future revenue allowances. On this basis, customers, including People’s Panel members

who were experiencing cost of living challenges, were supportive of increasing expenditure to maintain safety and reliability, and to improve service outcomes to a small number of more poorly served customers.

Customers also appreciated the economic opportunities afforded to the entire community through managing the energy transition well.

However, they did not want us to invest in enhanced services that they considered were ‘nice to have’ and not essential.

On the basis of this advice, we have taken forward the People’s Panel’s recommendations to this Draft Proposal. We have also challenged ourselves to deliver these outcomes in the most efficient way possible.

9.5 Our proposal

Based on strong feedback the most critical thing SA Power Networks can do for vulnerable customers is to keep them connected to

electricity supply, and reflecting the recommendation of our People’s Panel, our 2025-30 Draft Proposal includes new operating expenditure

for a business-as-usual expansion of our trial ‘Knock before you disconnect’ program.

Table A23. Our proposal

Topic	Proposal	Expenditure
Equity and Vulnerable Customers	Knock before you disconnect program to make site visit pre-disconnection part of business as usual.	\$0.3 Million opex per annum

In addition, we will continue to work collaboratively with our Community Reference Group to implement our Vulnerable Customer Assistance Program and utilise our sponsorship and community grant funding to support those more vulnerable people in our community. We also recognise that we have a significant advocacy role to play publicly to governments, and within our industry, for sensible public policy

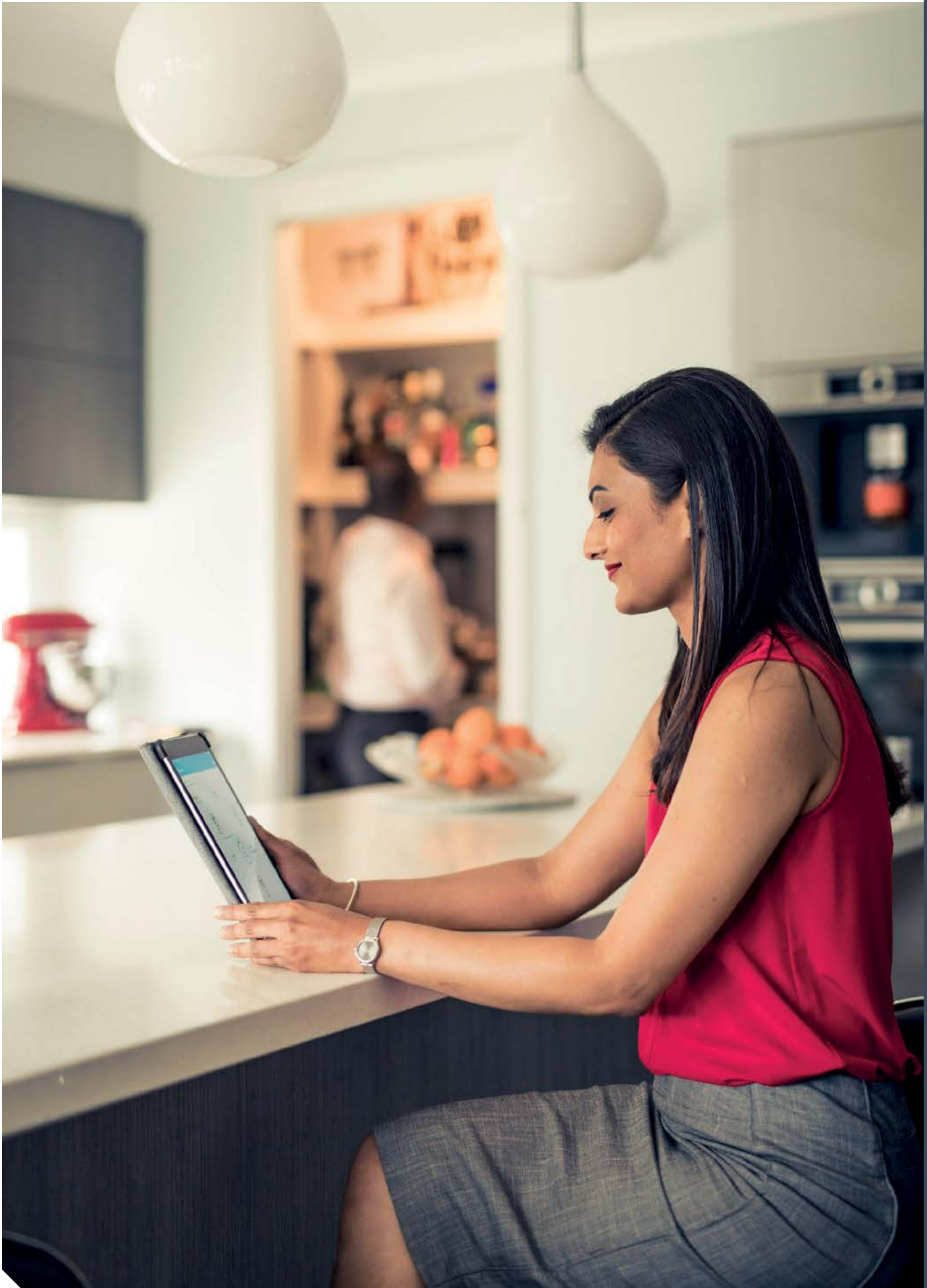
measures which can improve energy affordability in the short and long-term – and not just on matters that impact our business.

SA Power Networks has also recently become a full signatory of the Energy Charter, which is a voluntary coalition of businesses across the energy supply chain who are committed to working together to deliver better outcomes for customers and

communities. A key principle of the Energy Charter is affordability and supporting vulnerable customers, further sharpening our focus on this important topic. We are also a signatory to the Energy Charter’s Cost of Living Statement of Support, which commits us to a variety of support measures for people experiencing vulnerability due to the impact of cost of living pressures.

Have your say

Page 93 has details on how you can provide feedback.



SA Power Networks' staff Sumi checking smart home statistics



SA Power Networks’ subject matter expert Alex and Community Advisory Board Deputy Chair Kelvin

10. Our expenditures have been subject to significant challenge

Consider the following questions as you read this section:

17. How satisfied are you with the proposed 'Innovation Fund' as a mechanism to address the evolving energy needs of South Australian customers?

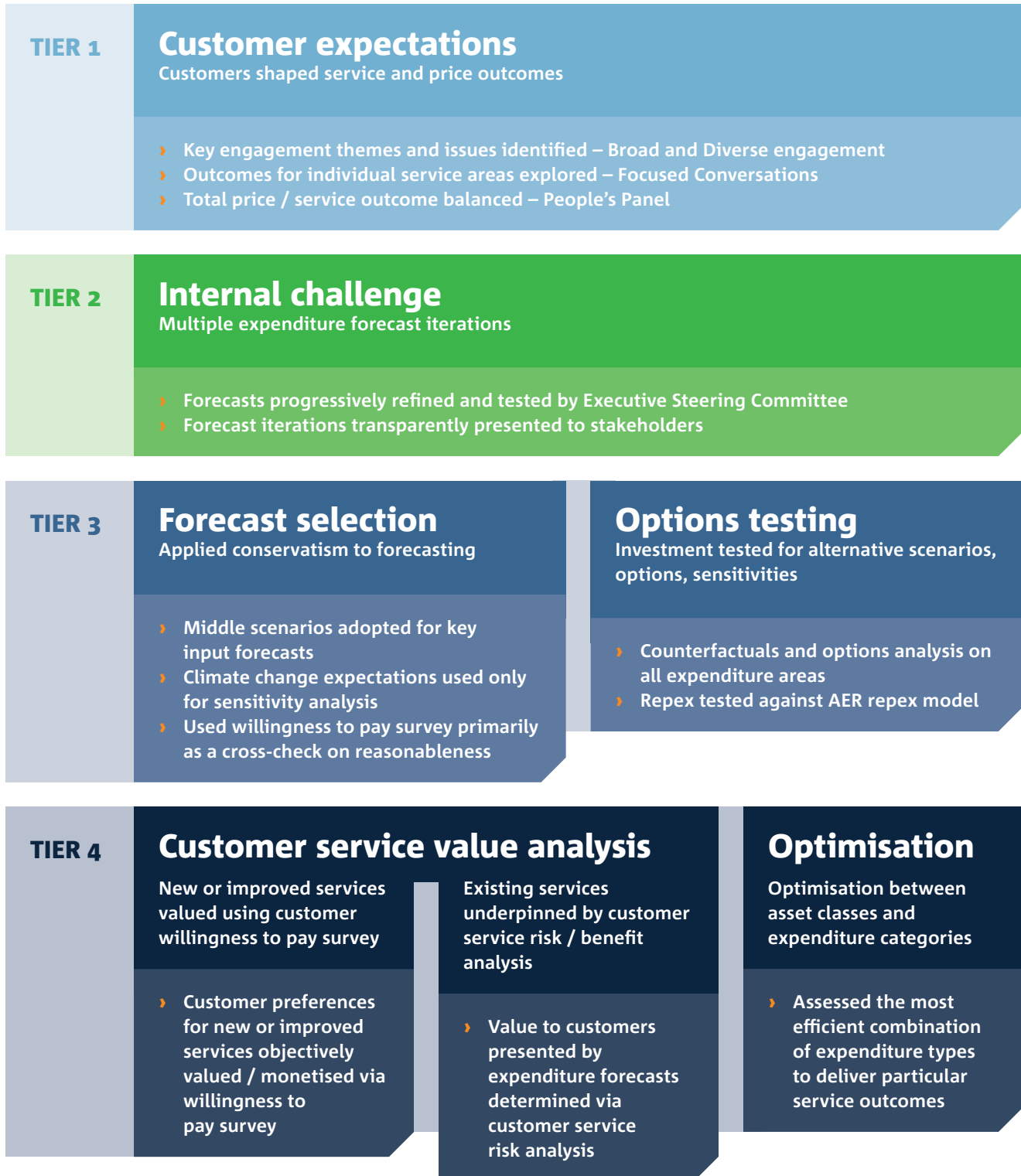
18. Do you have any comments or feedback on the development of the Fund, its funding principles or governance arrangements?

To ensure that our totex forecast for the 2025-30 period is aligned to achieve the outcomes our customers expect, our forecast is

being developed via multiple tiers of internal and external challenge (summarised in Figure A21). The forecasts in this Draft Proposal are

the result of this approach and will be subject to a fifth iteration before lodging our Regulatory Proposal.

Figure A21. Tiers of internal and external challenge



10.1 Challenge Tier 1 – Customer expectations

The most important challenge to our expenditure forecast is from our customers, so that it is shaped by customers and reflects the service and price outcomes they value:

- › our multi-staged engagement program provides customers the opportunity to shape five iterations of forecast totex and the service and price outcomes that these forecasts provide; and
- › our engagement focused on ‘outcomes’ of services and service levels, and indicated individual and total expenditure and price impacts,¹ so customers could make recommendations understanding the trade-offs. We employed a scenario approach to identify alternative outcomes, developing three scenarios of alternative service outcomes that we progressively refined down

together with customers via our engagement program stages, toward the one recommended forecast published in this document for a final round of consumer challenge.

10.2 Challenge Tier 2 – Internal challenge

The iterations of our forecasts have and will continue to be subject to top-down and bottom-up challenge internally within our business, with each iteration being:

- › challenged and approved by our executive management Reset Steering Committee – providing an overall reasonableness ‘sanity-check’, direction to explore optimisation between initiatives, and testing justifications against the NER; and
- › reviewed by a business wide coordination group led by our Regulation Team to ensure that, across all expenditure areas, we are considering interactions between expenditures, opportunities to optimise between expenditure areas, aligning key forecasting inputs and ensuring our forecasting methodologies and approach to business cases conform to expectations of the NER and the AER via its Better Resets Handbook, other guidelines and guidance notes.

1. This included comprehensive information on impacts to average residential and business customer distribution bills, including the whole distribution price stack so that customers could view the indicative impacts on the bill of specific initiatives and scenarios as they were discussing and providing recommendations on these.

10.3 Challenge Tier 3 – Forecast selection and options testing

We are also challenging our business toward downward conservatism in selecting forecasts. Examples include:

- › selecting a forecast scenario for network replacement expenditure (replex) that, while economic (benefits of risk avoidance are higher than replex costs), requires less expenditure than alternative scenarios that our analysis shows to also be economic. We opted against higher cost scenarios, as they did not deliver the service level outcome (maintaining historic reliability by geographic region) and price balance (mindful of general affordability concerns) that our customers told us they would prefer under the current circumstances;
 - › not adopting climate change projections in our forecasts. While climate change projections suggest increasing network risks from more frequent and extreme weather events, we erred toward conservatism, potentially understating expenditure and only using climate change projections to test the sensitivity and reasonableness of our network expenditure forecasts which are solely based on historic weather patterns; and
 - › aligning all network replex and augex on both load and export service to middle forecast scenarios developed by AEMO².
- We are also challenging our business in all areas to test forecasts and initiatives against alternatives:
- › as described above, we developed three scenarios with a base-case counterfactual across all key expenditure areas, to engage and determine the service outcomes that our customers expect and value;
 - › all of our business cases will contain a base-case counterfactual (either ‘do nothing’ or ‘business-as-usual’) and multiple investment options (where credible) to determine the preferred option; and
 - › for relevant asset classes, we compared our network replex forecasts against the AER’s Repex Model.

10.4 Challenge Tier 4 – Customer service value analysis and expenditure optimisation

We have materially improved our capability to identify customer service value/risk to objectively determine if our forecasts and initiatives are in customers’ interests and to provide greater certainty on their reasonableness. For example:

- › we have documented and aligned our forecasting methodologies in all areas to AER guidance;
- › we initiated extensive bilateral challenge by AER staff on our forecasting methodologies influencing approaches and materially reducing our replex forecasts;
- › we vastly improved our network asset risk analysis to objectively value in monetary terms, the customer benefits resulting from network replex and augex in terms of reliability and safety. This provided us a unique ability to engage customers on service level outcomes in an integrated way such as by configuring replex and augex to achieve particular target outcomes of reliability and safety, and confidence that our forecasts to achieve these outcomes are not only customer supported but also efficient and prudent;
- › our modelling capabilities on CER integration leads the NEM, allowing us to quantify with precision the customer benefits and effects on service levels from our expenditure forecast on export service enablement (and counterfactuals and alternative scenarios);
- › all our non-network expenditure is now underpinned by risk analysis (including a new comprehensive asset condition / risk register for property assets), with quantified risk / customer service benefits identified for all non-recurrent initiatives that are new or aim to improve outcomes;

2. AEMO refers to this scenario as its ‘central’ scenario.

- › to objectively value in monetary terms new or improved services that our customers recommended in our engagement, we undertook a willingness to pay survey (Customer Values Research) across seven key areas. Survey results were mainly used as an additional reference / challenge point to confirm our underlying analysis of quantified customer benefits of various initiatives³ and in some cases to confirm the willingness of the broader customer base to support initiatives targeting outcomes in specific customer segments or regions;⁴ and
 - › our forecasts on network capacity and security have now applied probabilistic risk analysis to ensure that investments for contingent events triggered by our distribution network planning criteria, are economically justified.
- Our improved risk analysis has allowed us, for the first time, to explicitly optimise expenditures, including:
- › optimising between repex asset classes, to choose the most efficient investment combination to achieve targeted service level outcomes of maintaining reliability by geographic region and maintaining safety in aggregate; and
 - › optimising across expenditure types, to choose the most efficient combination of repex and auxex to achieve targeted service level outcomes, particularly in respect of improvements to CBD reliability to comply with service standards (combining cable repex and feeder automation auxex).

3. This is the case with our expenditure on Network resilience, bushfire power shutoff impact minimisation; reliability improvements to worst served regions and customers; and CER integration.

4. For example, we tested the willingness of the general customer base to support programs seeking to improve reliability outcomes for worst served regions and customers.



SA Power Networks' Staff Sumi and Adrian checking smart home performance

Figure A22 summarises how our total forecast expenditures have been progressively refined throughout our engagement program in response to all tiers of challenge. Opex figures exclude \$13 million of debt raising costs. Capex figures are before \$21 million of Fleet disposals.

Figure A22. Significant refinement through multiple iterations



10.4.1 Innovation Fund

Through the process of external and internal challenge and forecasting iterations, some potential initiatives that were deemed to be misaligned to regulatory expectations and lacking clear customer value were excluded from our forecasts. However, through this process we also identified some potential initiatives that are likely to drive long term customer benefits but these are difficult to discern at this point given that they involve innovation.

Throughout our engagement program, our customers have expressed a desire for us to be innovative in how we respond to emerging challenges and opportunities arising from a rapidly changing energy system including:

- › future risks arising from climate change with respect to the resilience of our network services, and how we might work with community groups and service providers;
- › opportunities to green our business and contribute to a net-zero future; and

- › how we can respond to changes in the market and how customers and their agents and market participants can interact with our business (for example in obtaining information on the capacity of our network in a dynamic way).

Some of these topics were explicitly deliberated on by our People's Panel and one recommendation was the creation of a 'community resilience fund' to co-fund resilience projects with community groups in regions most exposed to the effects of climate change. Other topics in this area were more generally discussed through our earlier Focused Conversations.

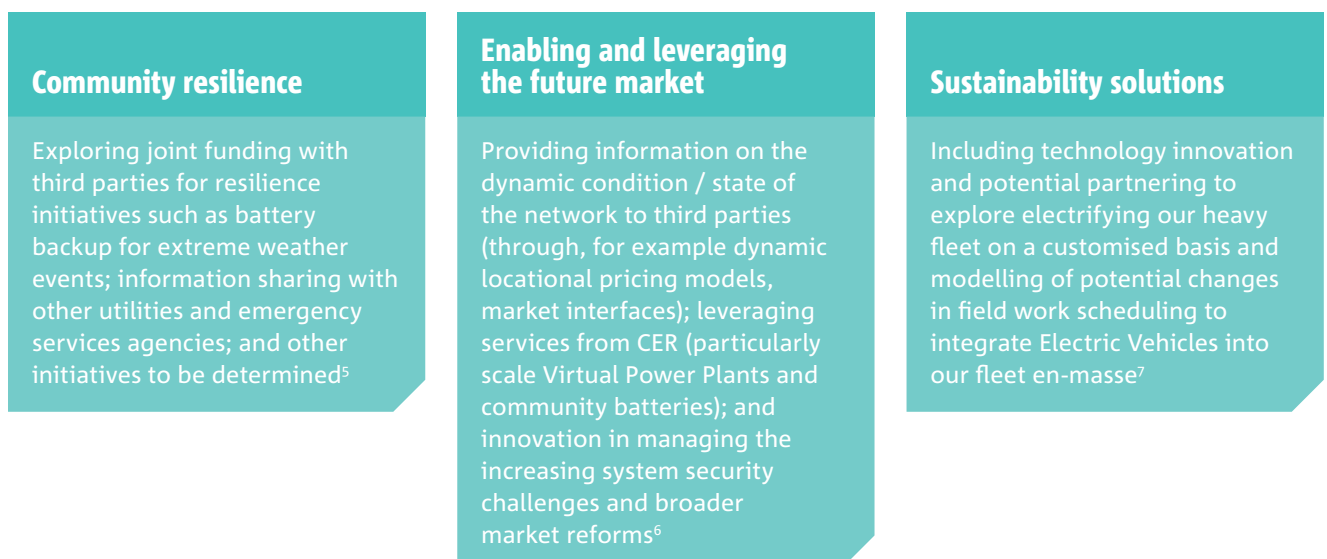
Pursuing innovation initiatives within the context of a Regulatory Proposal presents challenges. Even if such initiatives are expected to drive long term consumer benefits, forming business cases to justify expenditure is difficult when these initiatives involve benefits which are difficult to determine because they are either difficult to quantify / monetise at this time, or the actual initiatives remain uncertain as to the specific delivery

model, technology and partnering arrangement that could be used. Furthermore, the AER's Demand Management Innovation Allowance Mechanism (DMIAM), which usually funds innovation initiatives, is focused on management of demand on the network and does not address a range of broader innovation opportunities.

Given these challenges, a solution that we have proposed with endorsement of our CAB as the strategic partners in our engagement, is to consolidate a number of potential initiatives involving innovation into an explicit 'Innovation Fund'.

We propose that our Innovation Fund would be capped at \$20 Million for 2025-30, split 80 percent into capital expenditure and 20 percent into operating expenditure. The fund would have a scope targeting three broad areas of innovation that collectively address the key focus areas we heard through our engagement outlined in Figure A23.

Figure A23. Innovation fund



5. The community resilience fund initiative was recommended by our People's Panel.

6. This addresses initiatives discussed in our Energy Transition Focused Conversations.

7. This was discussed in our Energy Transition Focused Conversations

Together with the CAB, we intend to further develop the governance arrangements for the Innovation Fund and envisage that a CAB Sub-Group could be formed to refine the principles that should be used in selecting initiatives to fund and provide some oversight in selecting these initiatives.

Through our engagement program, customers have been generally supportive of innovation initiatives but have raised questions about how they can be assured that allowed funds will actually be used and not simply underspent, and how knowledge obtained might be shared. Therefore, we propose to include the following safeguards for consumers:

- › the fund would be on a ‘use it or lose it’ basis, with underspends returned to customers in the next regulatory period and with operating expenditure excluded from the base year in future periods;
- › the fund would be excluded from the AER’s Efficiency Benefit Sharing Scheme (EBSS) and Capital Expenditure Sharing Scheme (CESS) to ensure we do not benefit if allowed funds are underspent; and
- › we would commit to knowledge sharing to benefit the broader market, and to seeking opportunities to leverage the value of the fund via additional third party funding opportunities such as government renewable fundings.

Have your say

Page 93 has details on how you can provide feedback.



Jessica, Harvey and Matilda enjoying their solar powered home



SA Power Networks’ subject matter expert Duska with independent subject matter expert Jen

11. 2025-30 Expenditure, revenue and price summary

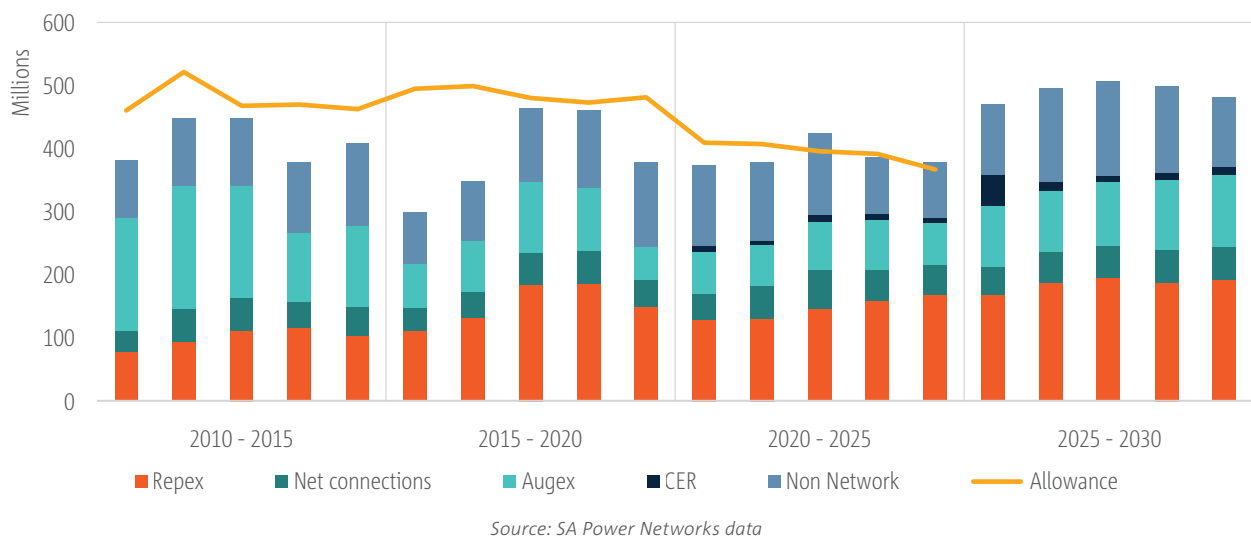
11.1 Revenue and expenditure forecasts

Part B of this document outline in detail the 2025-30 expenditure and revenue requirements that arise from delivering the service outcomes described within this Draft Proposal.

In summary, in real 2025 dollar terms we are proposing:

- › a 25% increase in capital expenditure;
- › a 17% increase in operating expenditure; and
- › a 3% increase in revenue.

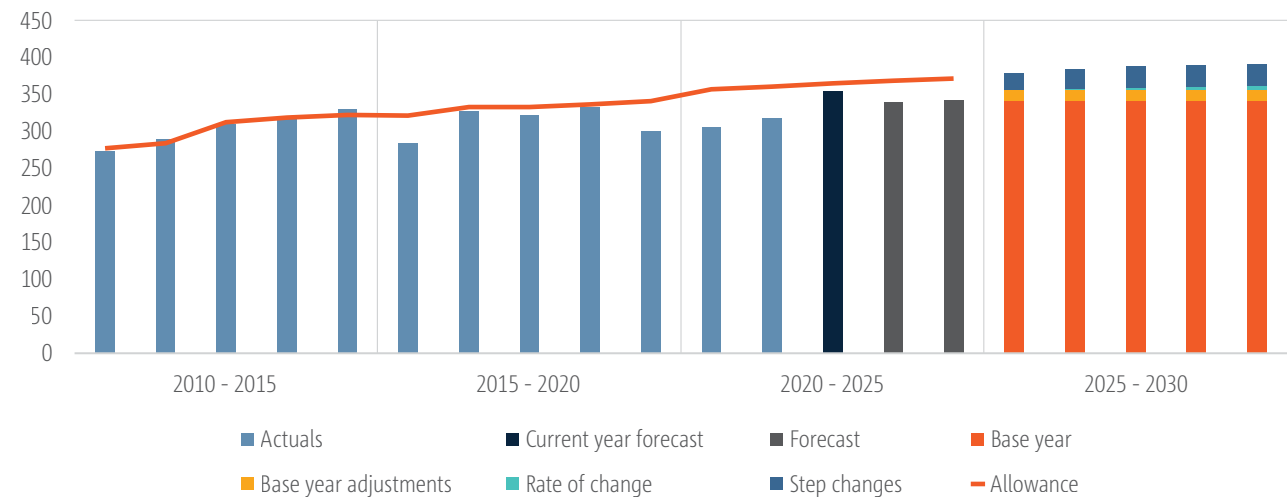
Figure A24. Forecast 2025-30 capital expenditure



Our proposed capital works program for 2025-30 totals \$2,401 Million (including \$21 Million of Fleet disposals) will:

- › replace deteriorating network assets to maintain:
 - › average reliability at a geographic region level; and
 - › state-wide bushfire risk levels;
- › restore CBD reliability to target and target reliability improvement for worst-served customers and regions;
- › refurbish, renew and replace ageing and capacity constrained properties, efficiently transition to EVs, and increase fleet volumes to resource network work uplift.
- › upgrade areas of our network to meet new load growth and to enable more solar exports;
- › refresh and replace existing IT systems, enhance online services to customers and improve asset management efficiency; and

Figure A25. Forecast 2025-30 operating expenditure



Forecast operating expenditure in 2025-30 is \$1,943 Million (including debt raising costs of \$13 Million). The major drivers of our increased forecast operating expenditure are:

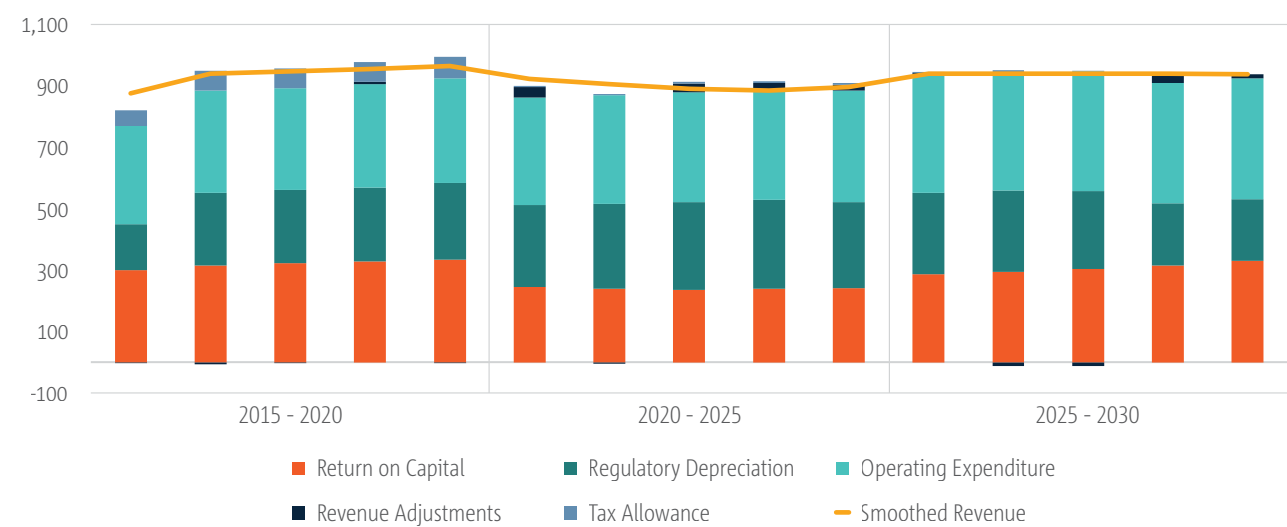
- › a change in accounting treatment for procuring ‘software as a service’;

- › increased measures to address cyber security threats;
- › higher insurance costs;
- › an uplift in resourcing costs for higher capital program uplift; and

- › a new ‘Knock before you disconnect’ program supported by customers.

These drivers are described in more detail in **Part B** of this Draft Proposal.

Figure A26. Forecast 2025-30 revenue



Total forecast revenue in 2025-30 is \$4,695 Million. Revenue growth is predominantly due to:

- › a higher allowed rate of return on assets from higher interest rates; and
- › expenditure increases,

partially offset by:

- › lower depreciation as many of our existing assets become fully depreciated.

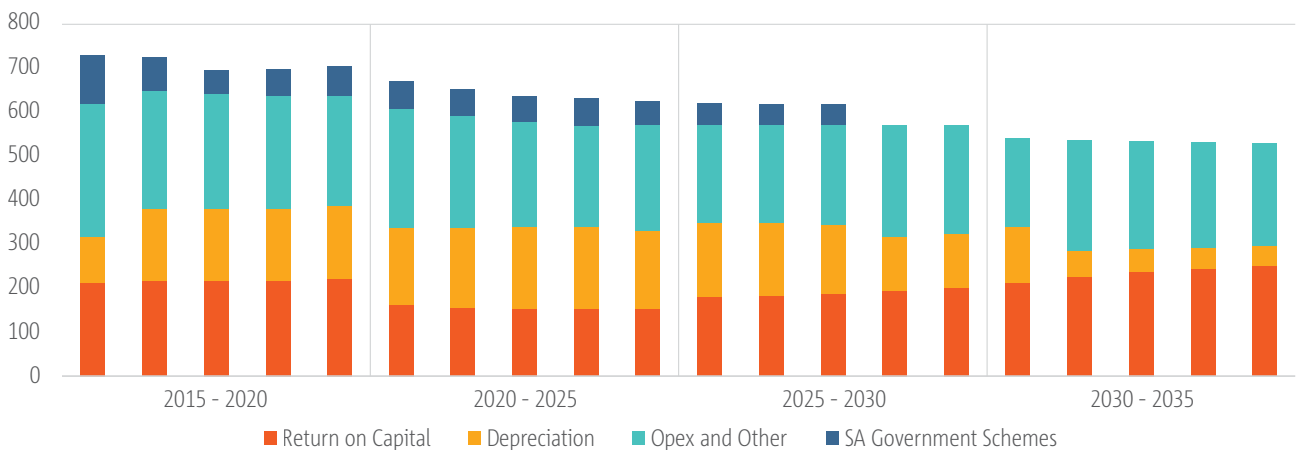
11.2 Customer bill forecasts

We forecast average annual residential distribution bills to remain steady at around \$580 over the 2025-30 period, followed by a reduction

in the 2030-35 period. The South Australian Government's solar PV FiT (44c/kWh) scheme also concludes in June 2028, which will reduce

residential customers' bills by around \$50 per annum.

Figure A27. Average annual residential bills



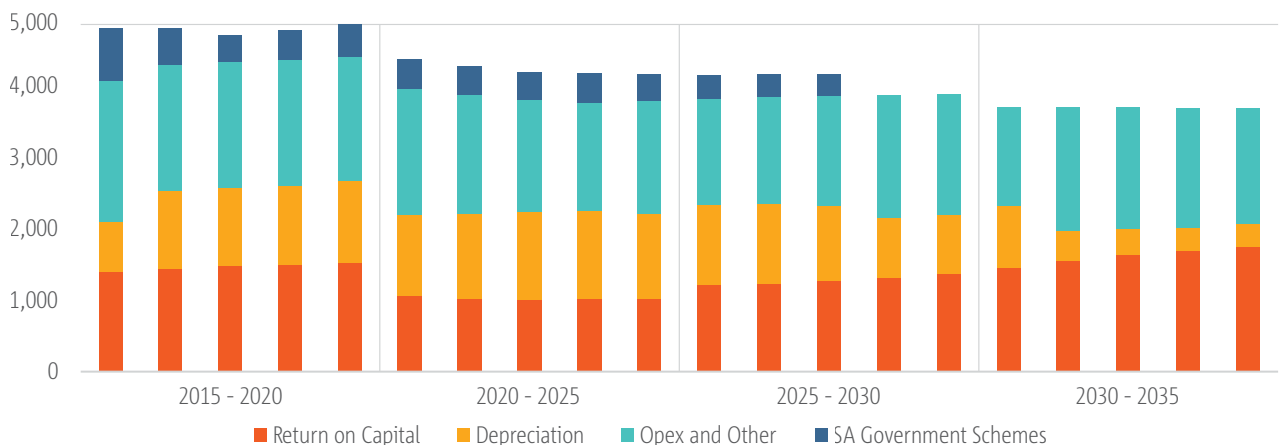
Source: SA Power Networks data

The introduction of new export tariffs from 1 July 2025 will alter these overall average outcomes for solar and non-solar customers. While actual customer bills will depend on individual consumption and export levels, non-solar residential customer bills will be lower than the overall average by approximately \$3 per annum and bills for solar residential

customers will be approximately \$7 per annum higher than the overall average. There will also be impacts as a result of increasing energy volumes forecast to be delivered to customers over the 2025-30 period. We have not yet had the opportunity to fully consider these impacts on customer bills, but they will tend to drive bills down for customers that maintain

similar energy consumption over the period from now to 2030, and offset bill increases for customers who increase consumption by virtue of purchasing an electric vehicle, or otherwise substituting electric appliances for those currently utilising fossil fuels.

Figure A28. Average annual business bills



Source: SA Power Networks data

11.3 2025-30 Tariff Structures

11.3.1 Consumption tariff structures

Many of our current tariff structures will remain fit for purpose over the 2025-30 period and we propose to largely retain our existing consumption tariff structures for 2025-30. There are no structure changes proposed for customers whose consumption is still metered by a (legacy) accumulation meter, around 60%. These meters are read manually, typically every 90 days, and record total energy data only: they do not record what time of day the energy is used.

Our tariffs for these customers only offer a single rate price with a fixed daily supply charge.

Approximately 40% of our customers now have remotely-read interval (or “smart”) meters which record how much electricity they use every 30 minutes. These meters enable development of more cost-reflective, ‘time of use’ tariff structures for customers. In 2025-30 we are proposing the following changes for time of use tariffs:

- › minor changes to price windows in our residential tariffs;
- › the introduction of a new small business sub tariff class for customers consuming less than 40 MWh per annum;
- › new flexible demand tariffs to be available and reward customers who can shift their load away from peak demand periods; and
- › new generation tariffs for customers with large battery systems or solar farms connecting at higher voltages.

11.3.2 Export tariff structures

We are proposing the introduction of new export tariffs for all residential and business customers with small embedded generation (solar and/or battery systems less than 30kW in capacity), from 1 July 2025. These tariffs are in response to increasing congestion occurring in low voltage areas of our network. They will recover the costs to alleviate projected network constraints over 2025-30 – which are forecast to be around three percent of our total capital expenditure program. These costs will be recovered only from exporting customers, as they are the customers who are driving these costs and receive the majority of the benefit of reducing those constraints.

Export tariffs will have:

- › a 9 kWh daily free threshold (and 11 kWh for accumulation-metered customers);
- › export charges of circa 1c/kWh for exports above the free threshold during 10am-4pm for interval-metered customers; and
- › export credits payable to residential and small business customers on our ‘Prosumer’ tariff for any exports that occur during November - March, between 5pm - 9pm.

No export tariffs will be applied for medium to large exporting customers (greater than 30 kW in capacity) – who typically connect at higher voltages in our network (where no constraints are forecast). However, these customers may have higher connection costs.



People's Panel members Judith and Lachlan



SA Power Networks' Head of Regulation Richard

12. Have your say

Please consider these questions while reading this section:

- 20.** How satisfied are you that our Draft Proposal delivers an appropriate balance of price/service for South Australian customers?
- 21.** Do you have any other comments or feedback on our Draft Proposal, including the services and expenditure levels proposed and the resulting price/service balance it delivers for South Australian customers?

Over the past two years, we have undertaken an extensive engagement program with our customers and community, asking them to help us determine what services and programs we should deliver, and what investments we should make, during the 2025-30 regulatory period. This work has culminated in this Draft Proposal.

Our Draft Proposal has been informed by the input of nearly 2,000 people and is founded on the four broad themes that customers have consistently told us are critical:

- › A reliable, resilient and safe electricity network.
- › Customer experience, choice and empowerment.
- › Enabling clean energy and unlocking future value for our state.
- › An affordable and equitable energy supply.

We believe our Draft Proposal reflects the views and priorities of our customers and stakeholders, balancing services and price in the short term while positioning the network for the renewable energy

future. It incorporates the People's Panel recommendations where consensus was reached. Where the Panel did not reach consensus, the Draft Proposal is informed by the outcomes of our other engagement activities.

But our engagement is not over. We now want to hear from the wider South Australian community.

Do you agree that we've got the right balance, and have effectively considered the investments required and the cost to deliver these investments, in the best interests for South Australia?

12.1 We welcome your feedback

All feedback will be considered before our final proposal is provided to the Australian Energy Regulator.

Feedback and submissions are due by 5pm (ACST) Thursday 31 August.

You can access the survey or upload a formal submission at talkingpower.com.au

Alternatively, you can lodge a submission by sending it to:

2025-30 Regulatory Proposal
Attention: Dan Popping
GPO Box 77
Adelaide SA 5001
talkingpower@sapowernetworks.com.au



talkingpower.com.au







Empowering South Australia