

People's Panel Booklet

SA Power Networks

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Our group norms
Listen
Co-operate & collaborate
Be engaged
Be open minded, learn new knowledge
Patience
Committment
Be Decisive
Everyone has an opportunity to contribute
Share the air - equal participation
Respect: Dont interrupt
Take notes
Humour
Speak Up
Imagination
Everyone entitled to quiet space
Suggest

Your Assesment Criteria For Balancing Service and Price

Sustainable

The network needs to be environmentally sustainable for current and future generations.

This is important:

- to meet our emission targets aims,
- for our future generations
- to safeguard the world against environmental damage.

Appropriate

The network needs to meet the needs of all consumers (business and private) including the vulnerable.

This is important as:

- it's an essential service for everybody
- it's important for health and safety of the community

Reliable & Resilient

The network needs to be reliable & resilient for everyone.

This is important as:

- There is an expectation that services are resilient and reliable because it comes at a cost to the consumers.
- Energy sources need to be secure, reliable and up to date.
- Built in redundancy.
- Safe for all to use & repair

Future Ready

The network needs to be future ready (proof) and adaptable for all consumers.

This is important:

- To provide ease of access for long term as well as short term.
- To ensure ready availability of smart meters/technology to ensure best use of green energy.

Affordable

The network needs to be affordable for all consumers. This includes households, industry, business, essential services.

This is important:

- Accessibility to all, regardless of circumstances
- Essential for Safety, Health, Wellbeing & Quality of Life
- Should be not discriminating
- Job sustainment and creation
- Keeping Business in South Australia
- Viability, competitiveness

Focussed Conversations recommended expenditure and customer bill impacts

While some FC workshops discussed expenditure in other dollar terms, all figures presented above are in $2025 terms.

The expenditure and bill contributions in this table reflect a mix of Basic, Maintain, New Value as well as additional expenditure discussed and recommended through the FC process.

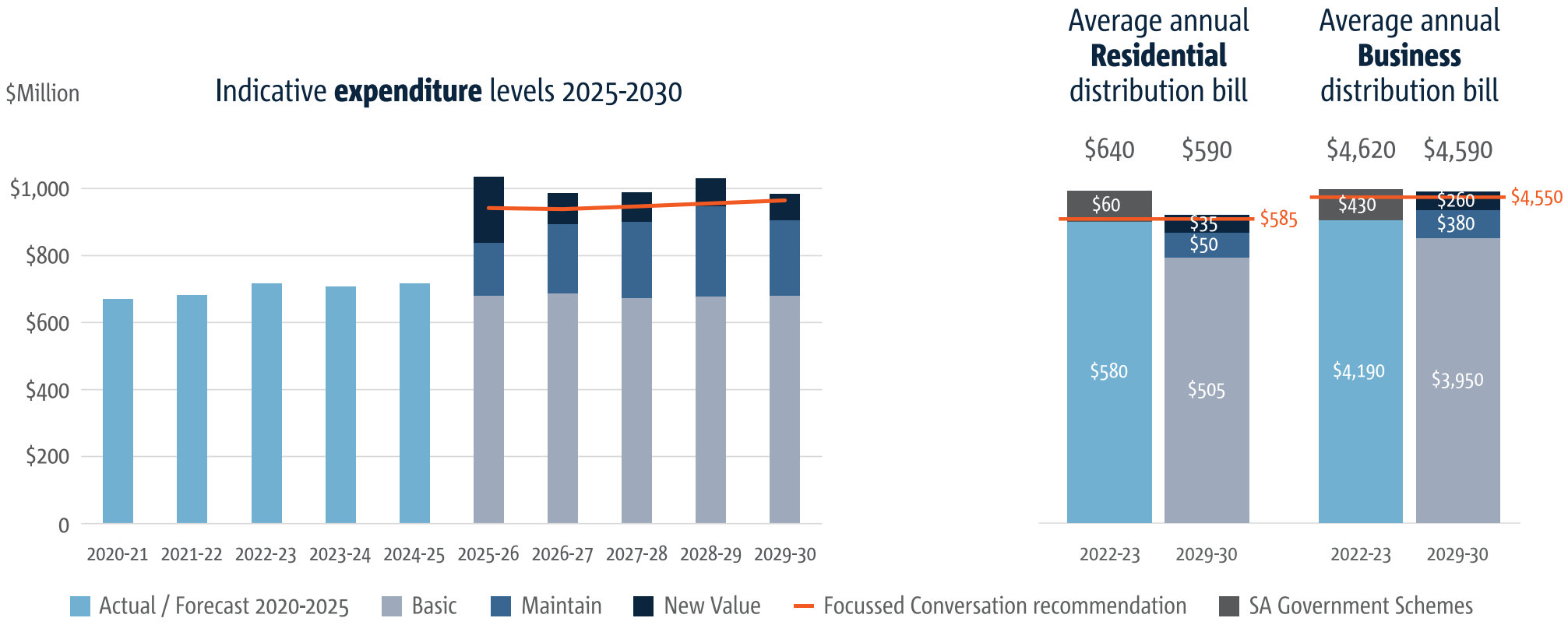
The updated Iteration 2 total forecast expenditure and distribution bills, as well as the outcome from the Focussed Conversations are shown in the next slide.

While there is a direct relationship between forecast opex and revenue, the revenue impact from capex is dependent on the agreed regulatory life of the asset created by that capex and the allowed rate of return in 2025-30.

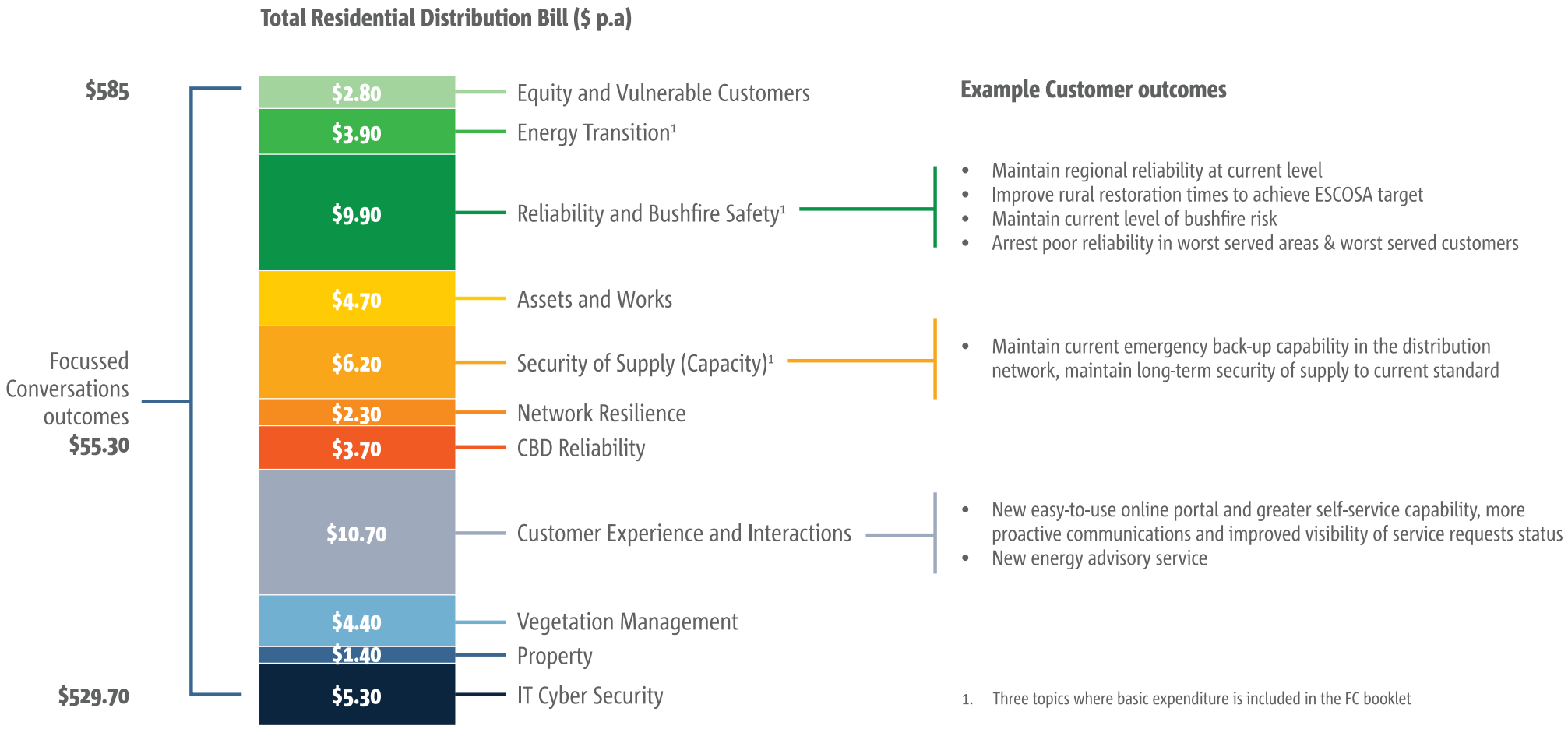
Program cost per annum

Topic	Average $ Annual Bill contribution Residential	Average $ Annual Bill contribution Business
Equity and Vulnerable Customers	2.8	22.2
Energy Transition	3.9	31
Network - Reliability and Bushfire Safety	9.9	78.2
Assets and Work	4.7	36.8
Network - Security of Supply	6.2	48.5
Network – Resilience	2.3	17.7
CBD Reliability	3.7	28.9
Customer Experience and Interaction	10.7	84.1
Vegetation Management	4.4	34.3
Property	1.4	10.9
IT Cyber Security	5.3	41.6
Public Lighting	-	-
Tariff (consumption)	-	-
Tariff (export)	-	-
Financial settings	-	-

Focussed Conversations outcomes ($2025)



Customer bill impacts of Focussed Conversations recommendations



Equity and Vulnerable Customers

Focussed Conversation

1. Recommended Service Outcome/ Investment Option

Based on our consultations with Focussed Conversation attendees, SA Power Networks recommends investment in the following programs to continue to facilitate the transition to renewable energy in South Australia in the 2025-30 regulatory period.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
Solar as a service	-	-	-
Community energy fund	$1.2 Million	$0.70	$5.50
Vulnerable customer assistance program	$0.5 Million	$0.30	$2.50
Knock before you disconnect	$0.5 Million	$0.30	$2.30
Claims and damages process	$2.5 Million	$1.50	$11.90
TOTAL cost per annum	**$4.7 Million**	**$2.80**	**$22.20**
TOTAL cost 2025-30	**$23 Million**		

The numbers supplied are forecasts and will be updated in response to stakeholder input and external market influences over time and are based on Budget Forecast Iteration #3. Our final numbers will be provided in our 2025-30 Regulatory Proposal to be lodged with the AER in January 2024.

2. Why recommend this option?

An overview of the program initiatives and why they were included in our recommendation is provided below.

Initiative	Overview	Why included
Solar as a Service	SA Power Networks or third party-delivered scheme with no bill impact. Scheme proposes tenant voluntarily participates, with landlord's consent and tenant pays for the solar through an additional charge added to the electricity service charge. SA Power Networks advocate for SA Government-led rental support scheme.	Strong support for Solar for Renters, particularly Solar as a Service, but consensus that key components (how and who should deliver) needs to be worked out. There was also support for housing infrastructure upgrades to decrease energy use.
Community Energy Fund	Establish a Community Energy Fund to support community-led energy initiatives, including community batteries and community solar	Strong support to establish a fund to pilot its effectiveness. Support for community input into the fund design and governance, and ensuring vulnerable customers have access to fund.
Vulnerable Customer Assistance Program	$500,000 per annum for a grants program, 2 x SA Power Networks vans for welfare visits during extended outages, and vulnerable customer training for customer service teams.	Support targeted program to assist vulnerable customers. A SA Power Networks van would play a key role in community engagement, and the grants program would help eliminate energy hungry appliances (and build on the current grants trial with ConnectEd/UCWB).
Knock before you Disconnect	$400,000 per annum for 10,000 pre-disconnection home and business field visits to encourage customer engagement with retailers and reduce disconnections	Support program as worthwhile intervention at SA Power Networks' level of involvement. SA Power Networks can be trusted to deliver as focus on customer. Risk retailers argue that the benefit doesn't justify the investment from a business perspective.
Claims and Damages process	Establish a scheme to allow for payment to customers in the event of network surge, where insurance doesn't cover appliance damage	Support for scheme due to current lack of support available to customers affected by a power surge and impacts on customers affected, particularly vulnerable customers.

3. Other service offerings

The other service offerings /initiatives that were explored through the focussed conversation but are not recommended for investment are as follows:

Initiative	Overview	Why not recommended
Solar for Rentals – Landlord subsidy	Subsidy for landlord purchase of solar infrastructure for placement on rental homes (based on existing Victorian scheme).	Not supported by workshop as provides capital benefit to owner. Concerns that landowners will increase rent, terminate lease agreements and increase power imbalance between tenant and landlord.
Donate kW solar	Scheme enabling people to donate their excess solar electricity to other customers, particularly vulnerable customers.	Not supported by workshop participants. With solar, it was felt any spare kW attracts a Feed In Tariff which is a big part of people's motivation for installing solar and few customers would donate.
Social Network Tariff	A tariff specifically designed to help vulnerable customers. A National Electricity Rule change would be required so not eligible till the 2030-35 period. Previously proposed as part of 2010-15 period with mixed stakeholder feedback.	Not supported by workshop participants due to concerns regarding cross-subsidy and eligibility. Stakeholders felt there are other measures which would have a greater benefit to customers experiencing vulnerability.
Basic/ Essentials Network Tariff	Demand-managed service aimed at avoiding large levels of consumption and therefore large bills. Open to all Residential customers on an 'opt in' basis with an interval meter. The meter would 'trip' when threshold level of demand reached.	Not supported by workshop participants as concerns regarding a tariff that limits/ curbs usage (and safety and approach considered a blunt response.) In addition, supply capacity control tariff doesn't address energy inefficient appliances or houses.
Access to solar sponge	Time of Use (ToU) tariffs to maximise access to cheapest energy (solar sponge)	Not supported by workshop participants as not all customers better off with ToU tariffs. There are also equity issues for people who can't shift their ToU to non-peak periods and disadvantages some cohorts.

4. Areas of contention or concern

In arriving at the recommendation, the Focussed Conversation participants explored the following key questions, contentious issues and divergent views:

Role of SA Power Networks

Community support	• Reset engagement has identified strong community support for SA Power Networks playing a role in improving equity and assisting vulnerable customers. • During the current 2020-25 regulatory period a number of effective trials were implemented, in consultation with our Community Reference Group, including a disconnection trial and small grants program.
Energy transition	• Ensuring no one is left behind in the energy transition and can access the benefits of solar and other technology to reduce energy costs
Electricity as an essential service	• Electricity is an essential service and all customers should have access to an affordable and reliable supply.
Advocacy	• SA Power Networks has a key advocacy role to play in supporting vulnerable customers and there are areas where they would be better advocating rather than leading or delivering.

Program-specific

Solar for Renters	• Support concept of 'solar for renters' but concern regarding who implements and challenges to deliver eg. tenant/ landlord tension, lease conditions • Cross-jurisdictional analysis shows generally low take up - landlords see little benefit as rental homes and tenants wary of committing as benefits uncertain.
Smarts meters and remote disconnection	• Concerns with smart meters and remote disconnections – the 'knock' part of the visit is key.
Claims process	• Claims supported following understanding of issue and impacts but need further information on the scheme design.
The role of SA Power Networks in supporting vulnerable customers	• What is the role of a distribution network provider in supporting vulnerable customers, particularly in relation to areas that services might be better provided by Government or community advocacy groups. • It was also acknowledged that whilst some programs may be better delivered by Government, in the absence of Government funding SA Power Networks was well placed to deliver.
Developing sustainable outcomes	• The need to develop programs that provide long-term support to vulnerable customers and aren't just quick fix or band-aid solutions
Regressive costs and expenditure by SA Power Networks	• Any expenditure by SA Power Networks is wholly claimed back through customers through their bills (regressive costs) whereas Government programs are funded through taxpayers.

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Regressive costs and expenditure by SA Power Networks	• Any expenditure by SA Power Networks is wholly claimed back through customers through their bills (regressive costs) whereas Government programs are funded through taxpayers.

Industry-specific

Retailer role	• The role of retailers in assisting vulnerable customers and some programs should be funded and implemented by retailers.
State/ Local Government	• Importance of working in partnerships with State/ Local Government to deliver programs and some programs may be better delivered by State Government eg. Solar for renters
Education	• Education is crucial as the electricity industry is complex and hard to navigate.

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Energy Transition

Focussed Conversation

1. Recommended Service Outcome/ Investment Option

Based on our consultations with Focussed Conversation attendees, SA Power Networks recommends investment in the following programs to continue to facilitate the transition to renewable energy in South Australia in the 2025-30 regulatory period.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
Enabling distributed energy – export capacity – 95% service level (export customers only).[1] Out of scope	*$20.90 million*	*$14.30*	*$54.00*
In scope for deliberation	$14.70 million	$10.20	$38.40
Encouraging flexible loads	$2.80 million	$1.20	$9.60
Transitioning our vehicle fleet to electric vehicles (EVs)	-$1.1 million	-$0.70	-$5.90
TOTAL cost per annum (in scope for deliberation)	**$16.4 million**	**$3.90[2]**	**$31.00[2]**
TOTAL cost 2025-30	**$113 million[3]**		

1. Under recent changes to the National Electricity Rules, we expect to recover the cost of adding new export capacity through **export tariffs**. This means the cost of our first program is recovered only from customers who export energy to the network, e.g. solar customers. There is no bill impact from this expenditure for customers who do not export energy to the network (e.g. customers without their own solar).
2. Note that total cost per annum bill impacts will not align to the sum of the initiatives due to the Enabling distributed energy costs shown only over export customers.
3. Note that total cost 2025-30 will not equal Total cost per annum due to Enabling distributed energy program costs.

The numbers supplied are forecasts and will be updated in response to stakeholder input and external market influences over time and are based on Budget Forecast Iteration #3. Our final numbers will be provided in our 2025-30 Regulatory Proposal to be lodged with the AER in January 2024.

2. Why recommend this option?

An overview of the program initiatives and why they were included in our recommendation is provided below.

Initiative	Overview	Why included
Enabling distributed energy – export capacity	We propose upgrades to the network to add more **export capacity** so solar customers can continue to export (feed-in) their surplus energy to the grid. The proposed level of investment is enough to maintain a **service level** of 95% for solar customers. This means that they can export all their surplus energy to the grid 95% of the time, but may have their solar output reduced 5% of the time, when the network is congested. **Note:** under recent changes to the National Electricity Rules we expect to recover the cost of this program through **export tariffs.** This means that solar customers pay for this upgrade program, so it doesn't impact on bills for non-solar customers. This is reflected in the bill impact tables below.	• As more customers install rooftop solar, parts of the network are becoming congested during sunny times, when many customers are trying to feed in energy • We can use 'flexible export limits' to turn down customers' solar output at these times 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 2% of the time, but it will become increasingly common in future as solar uptake grows unless we invest in adding more network capacity to meet growing demand • Stakeholders were presented with a range of options around how much we should invest in new export capacity • The majority favoured investing to maintain a minimum service level of 95-98% for solar customers.

Initiative	Overview	Why included
Encouraging flexible loads	We propose new services and capabilities to help customers activate their smart devices like home batteries, smart Electric Vehicle (EV) chargers, hot water and smart appliances. This will help solar customers to consume more of their own energy in-house, which takes load off the network and saves money, and will also help non-solar customers take advantage of cheap off-peak electricity rates.	• Smart and flexible customer energy resources will play a key role in the future energy system • By supporting new technical standards for smart devices we can help customers shift household loads out of peak times and 'soak up' surplus solar power • This creates immediate opportunities for customers with smart devices to save money, but more importantly it reduces the need to upgrade the network and improves 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	We are planning for the progressive transition of our vehicle fleet, which is one of the largest in South Australia, to electric vehicles, including the installation of the associated charging stations in our regional depots. To avoid any material impact on customer bills we propose a cost-neutral transition, i.e. we will only replace a petrol or diesel vehicle with an EV if it costs the same or less than the vehicle being replaced.	• As signatories to the SA Government Electric Vehicle Fleet Pledge, we commit to look for opportunities to transition fleet vehicles to EVs when economic to do so, in line with the State's decarbonisation goals • The 2025-30 period will be a significant period in this transition as EV prices reduce and a broader range of EVs becomes available on the market • While we want to phase out procurement of new petrol and diesel vehicles as quickly as possible, we need to balance this against the cost impacts.

3. Other service offerings

In assessing our proposed initiatives to support the continued transition to renewable energy in SA, stakeholders in our Energy Transition Focussed Conversations considered the following variations on the above work programs:

- Higher and lower grades of service for export customers, with correspondingly higher and lower bill impacts for those customers
- A trial of a web-based platform to help SA Power Networks to procure services from Virtual Power Plant operators and others, based on a product used in the UK
- An accelerated transition of our vehicle fleet to EVs, which would involve a higher bill impact but further reduce carbon emissions.

These did not receive majority stakeholder support during the Focussed Conversations and have been removed from the work programs presented here as recommended to the People's Panel.

4. Areas of contention or concern

In arriving at our recommendation, Focussed Conversation participants explored the following key questions requiring further clarification:

Enabling distributed energy – export capacity

Should we try to maintain a minimum level of service for solar customers?	• Stakeholders did not want 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.

What service level should we aim for?	• Stakeholders considered a range of service levels from 85% to 98%, where 98% means that most solar customers can expect to have the output of their systems reduced no more than 2% of sunshine hours annually (<60 hours)
	• The majority (52%) favoured the highest service level (98%). Reasons included:
	  • costs would only be paid by solar customers (hence not impact on non-solar and vulnerable customers)
	  • The residential bill impact is only a small proportion of the annual financial benefit solar customers receive from their systems
	• A cohort (33%) favoured a lower service level, 90%, because it had a lower bill impact for residential solar customers
	• On that basis our recommendation to the People's Panel is the service level in between, 95%.

What other information would help?	• More insight into impacts on solar customers' future feed-in-tariff revenues under different service levels / investment plans • Customer education needed to help solar customers understand the value in consuming their energy in-house where possible.

Encouraging flexible loads

Discussion	• Strong recognition that smarter and more flexible customer devices would play a key role in making the future energy system operate efficiently • Two possible levels of investment considered • Most stakeholders (57%) favoured the higher level, which included more advanced services for Virtual Power Plants, retailers and others to help them maximise their use of the network.
What other information would help?	• Consensus that we should invest to create a 'smarter' system, but difficult to judge whether the level of investment proposed was commensurate with the benefits • Need more insight into the long-term financial benefits that these investments would enable for all customers.
New web platform	• Some stakeholders could not see the value in a trial of a UK-style website for SA Power Networks to tender for network services • Maybe this was something that should be funded by SA Power Networks from the benefits, not paid for by customers • Based on this feedback this component has been removed from the work package recommended to the People's Panel.

Transitioning our vehicle fleet to EVs

Options considered	• Stakeholders considered two pathways to transition SA Power Networks' vehicle fleet to EVs over the next decade:
	  • 'cost optimised' - only replace a fleet vehicle with an EV at the point where the EV is equal or lower cost than the equivalent petrol or diesel vehicle
	  • 'accelerated' – replace some additional heavy vehicles with EVs in 2025-30 to avoid future carbon emissions rather than replace with new diesel vehicles, noting the 15-year life of these vehicles.
	• 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.

Alternative options	• Other acceleration options, e.g. focusing more on the passenger fleet rather than heavy vehicles, may provide a better overall outcome and should be explored. • One stakeholder felt SA Power Networks' business owners should fund an accelerated transition to avoid any customer bill impact.
Recommendation	• The 'cost-optimised' option has been recommended here, but we continue to explore alternative options for achieving greater decarbonisation benefits.

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Reliability and Bushfire Safety

Focussed Conversation

1. Recommended Service Outcome/ Investment Option

The workshop participants are recommending to the People's Panel that SA Power Networks should invest to enable service provision in Scenario 2, Maintain with several additional New Value options.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
Scenario 2: Maintain Reliability and Bushfire Safety. Out of scope	*$185 Million*	*$32.20*	*$252.20*
In scope for deliberation	$41 Million	$7.60	$59.60
Bushfire Replacement Expenditure	$7.5 Million	$1.10	$8.80
Regional Reliability Improvement	$3.3 Million	$0.50	$4.00
Worst Served Customers Reliability Improvement	$3.2 Million	$0.50	$4.00
Public Safety Power Shutoff	$0.8 Million	$0.20	$1.80
TOTAL cost per annum (In scope for deliberation)	**$55.8 Million**	**$9.90**	**$78.20**
TOTAL cost 2025-30	**$999 Million**		

The numbers supplied are forecasts and will be updated in response to stakeholder input and external market influences over time and are based on Budget Forecast Iteration #3. Our final numbers will be provided in our 2025-30 Regulatory Proposal to be lodged with the AER in January 2024.

2. Why recommend this option?

The recommended investment option includes the following:

Maintain

Through a combination of Replacement and Augmentation expenditure this scenario achieves:

- Maintains regional reliability at current level.
- Improves Adelaide CBD reliability to achieve compliance with ESCoSA target.
- Improves rural long restoration times to achieve compliance with ESCoSA target.
- Maintains the current level of bushfire risk (excluding any influence of climate change).

Million total cost over 5 year period (2025-30)

New Value initiatives (in order of preference)

- Bushfire Replacement Expenditure (83% support) - 10% bushfire risk reduction achieved through Bushfire Mitigation Program retained by not deferring Replacement. This includes $23m to implement fast-acting protection on 280 feeders to reduce the risk of a fire start.[1]
  $37.4 Million
- Regional Reliability Improvement (67% support)- Improve Reliability by 10% in Eyre Peninsula, Upper North and South East (worst served regions).
  $16.3 Million
- Worst Served Customers Reliability Improvement (58% support) - Improve reliability by 40% to 20,800 consistently worst served customers.
  $16 Million
- Public Safety Power Shutoff Reduction (58% support) - Reduce the impact of public safety power shutoffs to towns that would otherwise experience blackouts during extreme fire conditions. A modest program of 5-10 towns (where economic) was supported.
  $4 Million

The recommended investment option is $999 Million total cost over 5 year period (2025-30)

Workshop participants recommended this Investment Option over the other Investment Options because they felt it was the appropriate level of expenditure to address the challenges, manage risk and maintain current service levels.

While some stakeholders supported additional investment above new value, others preferred more prudent investment which could be justified through cost-benefit analysis.

There were some concerns regarding energy affordability and level of expenditure required over the next 10 years to 'maintain' current service levels.

1. This amount has increased from the amount presented to the Focussed Conversation due to updated cost-benefit analysis and modelling. Given the support for increased investment to prevent bushfires if it provided value for money, this higher value has been presented to the People's Panel.

3. Other service offerings

The other service offerings /initiatives that were explored through the focussed conversation but are not recommended for investment are as follows:

Scenario	Discussion on this option
Scenario 1 **Basic**	• Stakeholders supported additional investment to manage the network and did not consider this a feasible option as it does not meet regulatory obligations. • Stakeholders felt there was a big difference between Scenario 1 and 2 but little difference between Scenario 2 and 3. • It would have been good to consider a lesser cost option between 1 and 2.
Scenario 3 **New value**	• Divergent views about the value-for-money of the proposal as a whole, especially in the context of a significant increase in replacement expenditure.
Additional Bushfire Mitigation	• Not considered economic.
Public Safety Power Shutoff - Increased Program 10-20 towns, including undergrounding	• Not considered economic. • While customers support undergrounding, costings have determined this to be prohibitive. The role of the Regulator will be to approve economically viable scenarios and it is our opinion that it will not be supported by the AER.
Scenario X - Additional investment above new value	• Many stakeholders were concerned about the value-for-money of the proposal as a whole, especially in the context of a significant increase in replacement expenditure. • Unlikely to be approved by the AER as costs exceed economic benefits

4. Areas of contention or concern

In arriving at the recommendation, the Focussed Conversation explored the following key questions, contentious issues and divergent views:

Replacement expenditure	
Deliverability	• Ability of SA Power Networks to deliver the uplift in terms of resources and spending allowances.
Expenditure in previous regulatory periods Terminology	• Has SA Power Networks spent its previous allowances or has it under-spent?
Inter-generational equity	• 'Ageing' assets as a term not widely supported by stakeholders and stakeholders emphasised the need to focus on asset condition and risk, of which asset age is a major factor
Longer-term price impacts (beyond 2030)	• Inter-generational equity and longer-term costs to community of repex uplift, particularly for vulnerable customers. • Concerns regarding energy affordability and level of expenditure required over next 10 years to maintain current service levels.
Reliability	
Equity	• Equity and improving service levels for worst served customers – what are acceptable levels of reliability for worst served customers
Factors impacting service levels	• Key factors of climate change, population changes and electrification not considered

Bushfire Safety

Investment to reduce the impact of Public Safety Power Shutoffs	• Received strong support initially given Public Safety Power Shutoffs can impact on health during hot conditions and on emergency response and telecommunications. • Support for investment became mixed when placed in the context of increasing spend overall, especially in replacement expenditure.
Fast-acting protection in bushfire risk areas	• Cost and benefits of implementing 100% coverage of fast-acting protection in bushfire risk areas. • Current modelling shows diminishing returns from spending more than planned as part of “new value” scenario. • Is this the true cost of achieving 100% coverage or an overestimate, more technical work required • Investigate whether cost-benefit analysis appropriately reflects community values
Value placed on customer support where cost-benefit analysis does not indicate prudent and efficient expenditure, including valuation of intangible benefits	• Community considers intangible bushfire impacts as important • AER will test whether investment provides value for money, if it’s hard to tell whether or not it’s value for money then customer support will be taken into account
Undergrounding in bushfire risk areas	• Highly expensive compared to vegetation clearance costs eg. spend $5m to save $10k p.a. in vegetation clearance costs. • While customers support undergrounding, costings have determined it to be prohibitive. The role of the Regulator will be to approve economically viable scenarios and in our opinion this will not be supported.

The role of non-network, community-based solutions	• Important to work with community and seek partnerships • Some communities (eg. Victor Harbor, many pensioners) may not be able to fund solutions locally
Does cost-benefit analysis reflect customer expectations?	• The total magnitude of bushfire risk eg. if we're only spending $13m to prevent a (potentially $200m) bushfire? • Potential divergent views of importance of bushfire safety and between people who are directly working in the field vs others • In the current economic environment, and with an overall large increase in spend, do we need all the extras?
Use of historic risk in modelling may not reflect future risk due to climate change and population changes	• Should be using climate change modelling to develop our business case rather than historical data • Future population changes (eg. Mt Barker urban sprawl) not incorporated, model only looks at consequences of a bushfire with people living where they are living now • Need to consider climate change implications on mitigation of increasing risk and severity of bushfires
The $4m to maintain supply to critical services during Extreme and Catastrophic Fire Danger conditions may not be able to be justified economically to the satisfaction of the AER	• Bushfire events and Public Safety Power Shutoffs are rare and hard to predict • Critical services may not be able to be valued more highly than "any other customer" – if they are critical services, they should have their own resilience • AER will test whether investment provides value for money, if it's hard to tell then customer support will be considered

Assets and Works

Reliability and Bushfire Safety addendum

1. Recommended Service Outcome/ Investment Option

The workshop participants are recommending to the People's Panel that SA Power Networks should invest to enable service provision in Scenario 3, New Value.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
Invest in IT to increase efficiency through improved asset management	$8.90 Million	$4.70	$36.80
TOTAL cost per annum	**$8.90 Million**	**$4.70**	**$36.80**
TOTAL cost 2025-30	**$44.5 Million**		

The numbers supplied are forecasts and will be updated in response to stakeholder input and external market influences over time and are based on Budget Forecast Iteration #3. Our final numbers will be provided in our 2025-30 Regulatory Proposal to be lodged with the AER in January 2024.

2. Why recommend this option?

Workshop participants recommended this Investment Option over the other Investment Options because stakeholders did not think that Option 1 or 2, discontinuing the program was the preferred long-term approach.

Stakeholders felt that SA Power Networks has been behind other industry sectors in adopting IT solutions to better manage the business over the last 5-10 years and there was support for any program if the trade-offs / benefits from the IT investment can demonstrate reduced expenditure over time and improved efficiencies.

3. Other service offerings

The following indicative bill impacts for residential and business customers for the 2025-30 period for assets and works are:

Scenario	Discussion on this option
Scenario 1 – Basic $0 investment	• Discontinue the Assets and Works Program. • No considered a feasible option.
Scenario 2 – Maintain $0 investment	• Discontinue the Assets and Works Program. • No considered a feasible option.

4. Areas of contention or concern

In arriving at the recommendation, stakeholders explored the following key issues and divergent views:

Scenario	Discussion on this option
Level of support	• As part of the 'reliable, resilient and safe network' discussion stakeholders were asked "do you support our proposed investment in IT to increase efficiency through improved asset management and delivery capability?" • In response, only 50% supported the investment (8% strongly agree, 42% agree) and the remaining 50% were neutral. Given that this feedback wasn't decisive. • The CAB Reset Sub-committee supported us taking this recommendation to the People's Panel but being clear support wasn't decisive.

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Security of Supply (capacity)

Focussed Conversation

1. Recommended Service Outcome/ Investment Option

The workshop participants are recommending to the People's Panel that SA Power Networks should invest to enable service provision in Scenario 2, Maintain.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
Maintain long term security of supply to current standards.	*$41.2 million*	*$6.90*	*$54.00*
Out of scope			
In scope for deliberation	$36.8 Million	$6.20	$48.50
TOTAL cost per annum (In scope for deliberation)	**$36.8 Million**	**$6.20**	**$48.50**
TOTAL cost 2025-30	**$206 Million**		

The numbers supplied are forecasts and will be updated in response to stakeholder input and external market influences over time and are based on Budget Forecast Iteration #3. Our final numbers will be provided in our 2025-30 Regulatory Proposal to be lodged with the AER in January 2024.

2. Why recommend this option?

Workshop participants recommended this Investment Option over the other Investment Options because stakeholders did not feel there was enough evidence to support additional investment, particularly the cost to upgrade the Fleurieu line was considered significant. While it would improve service levels for some customers, the cost to all customers was not considered justified in the current climate. More evidence and a business case would be required to consider the New Value investment scenario.

3. Other service offerings

The other service offerings /initiatives that were explored through the focussed conversation but are not recommended for investment are as follows:

Scenario	Discussion on this option
Scenario 1 **Basic**	• There was no support for Option 1, Basic, as it would erode security of supply and reduce current service levels which was not considered appropriate by stakeholders.
Scenario 3 **New value**	• Cost to upgrade the Fleurieu line was considered significant. While it would improve service levels for some customers, the cost to all customers was not considered justified in the current climate. • A positive business case would be required to justify. • There was some support however for just upgrading the Fleurieu line.

4. Areas of contention or concern

In arriving at the recommendation, the Focussed Conversation explored the following key questions, contentious issues and divergent views:

Climate change	• The extent and severity of climate change on likelihood of high consequence events will continue to increase.
Regional supply	• Regional areas are vulnerable to loss of supply. Smaller assets in regional areas can be more easily repaired or replaced, but customers may experience long duration outages.
Regional supply	• There was a desire to improve security of supply, particularly in regional areas such as the Fleurieu Peninsula where there are 30,000 customers that may be impacted by high consequence low probability events, with no alternative supply options.

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Network Resilience

Focussed Conversation

1. Recommended Service Outcome/ Investment Option

The workshop participants are recommending to the People's Panel that SA Power Networks should invest to enable service provision to the level of Scenario 3, New Value.

The majority of stakeholders supported Scenario 3, New Value, as a prudent response to the community's concerns about network resilience which enables partnerships with other stakeholders.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
New mobile generators	$2.7 Million	$1.30	$9.80
Co-fund community resilience projects	$2.2 Million	$1.00	$7.90
TOTAL cost per annum	**$4.9 Million**	**$2.30**	**$17.70**
TOTAL cost 2025-30	**$24.5 Million**		

The numbers supplied are forecasts and will be updated in response to stakeholder input and external market influences over time and are based on Budget Forecast Iteration #3. Our final numbers will be provided in our 2025-30 Regulatory Proposal to be lodged with the AER in January 2024.

2. Why recommend this option?

Workshop participants recommended this Investment Option over the other Investment Options because stakeholders felt that it addressed community concerns about regional equity, and provided a good balance between SA Power Networks' significant role in building community resilience and the need to partner with other stakeholders.

While some stakeholders supported additional investment above new value, others felt that SA Power Networks needed to collaborate and work with others, as well as experiment and learn from other utilities as to what works in building community resilience.

Stakeholders were presented with a number of options as part of workshop 3 and were asked to provide us with direction on possible investment. Eighty-five per cent (85%) of respondents felt it was important or very important that SA Power Networks investment in network resilience to weather events. Fifty-six percent (56%) supported investment at the new value level and thirty-three per cent (33%) supported above new value levels of investment.

3. Other service offerings

The other service offerings /initiatives that were explored through the focussed conversation but are not recommended for investment are as follows:

Scenario 1 Basic	• No additional resilience investment above business as usual resilience activities such as equipment standards, vegetation management, maintenance and emergency management planning
Scenario 2 Maintain	• No additional resilience investment above business as usual resilience activities such as equipment standards, vegetation management, maintenance and emergency management planning
Additional options above new value	• Scenario 3: Maintain, plus, • Up to $50m for SA Power Networks-owned infrastructure (such as microgrids) to reduce impact of long-duration power outages in 5-20 towns

4. Areas of contention or concern

Resilience to non-weather events and "unknown unknowns" – cybersecurity, terrorism, vandalism	• Difficult to model in cost-benefit analysis • Stakeholders consider these as important • Cyber security considered as part of the IT focussed conversation
Risks of SA Power Networks taking on more accountability for community resilience, opportunities for partnerships (eg. Federal Government)	• Concerns that SA Power Networks taking too much responsibility might make other critical infrastructure providers pay less attention to their own resilience
Approach too scientific – need to engage futurist to tackle differently – recent events in NSW and Qld have been off the charts	• Should be using climate change modelling as a core part of the analysis • Need to prepare for "unknown unknowns" with climate change rather than just events we've seen in the past becoming more frequent • Potential divergent views of importance of bushfire safety and resilience between people who are directly working in the field vs others
Importance of community-led programs and learning by doing	• Important to work with community and seek partnerships • Some communities (eg. Victor Harbor, many pensioners) may not be able to fund solutions locally • A small fund would be a good way to "dip a toe in the water" and see what impact SA Power Networks can have on community resilience • More storage is needed in South Australia for environmental and statewide energy security reasons, this could also be used to improve resilience

Consider data sharing opportunities with other critical infrastructure providers and emergency management stakeholders	• Other critical infrastructure providers could be good partners in building community resilience as they can do a lot with just a bit more data/information
Desire for increased security of supply in regional areas	• Regional communities including Fleurieu would love to see improved reliability/resilience/security but understand if rest of the state doesn't want to pay • More mobile generators is a "no brainer"
This proposal may not be able to be economically justified to the satisfaction of the AER	• Events are rare and hard to predict • The more networks assist with community resilience, the less incentive there is for other parties to look after their own resilience – could weaken resilience overall and transfer costs to electricity consumers
Potential overlap with the other community energy fund proposed with a focus on vulnerable customers	• More information needed to be provided on this in the presentation

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CBD Reliability

Focussed Conversation

1. Recommended Service Outcome/ Investment Option

The workshop participants are recommending to the People's Panel that SA Power Networks should invest to enable service provision in Scenario 2, Maintain.

All stakeholders strongly supported Scenario 2, Maintain, as the minimum level of investment for the 2025-30 period to achieve ESCOSA reliability targets and stop a further decline in reliability.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
Scenario 2: Maintain. Out of scope	*$6.3 Million*	*$1.00*	*$7.80*
In scope for deliberation:			
11,000V cable replacement (~13%)	$10.9 Million	$1.70	$13.50
Feeder automation and remote customer monitoring devices	$5.8 Million	$1.8	$14.00
33,000V cable replacement	$1.2 Million	$0.20	$1.4
TOTAL cost per annum (In scope for deliberation)	**$17.9 Million**	**$3.70**	**$28.90**
TOTAL cost 2025-30	**$130 Million**		

The numbers supplied are forecasts and will be updated in response to stakeholder input and external market influences over time and are based on Budget Forecast Iteration #3. Our final numbers will be provided in our 2025-30 Regulatory Proposal to be lodged with the AER in January 2024.

2. Why recommend this option?

Workshop participants recommended this Investment Option over the other Investment Options because stakeholders felt a significant increase in investment was required by SA Power Networks to meet safety and reliability standards in the Adelaide CBD.

Furthermore, Scenario 1, Basic, was not considered a feasible option and while components of Scenario 3, New Value, were supported additional information on customer outcomes and benefits was required.

3. Other service offerings

The other service offerings /initiatives that were explored through the focussed conversation but are not recommended for investment are as follows:

Scenario	Discussion on this option
Scenario 3 – New Value	• There was some support for Option 3, New Value, with some stakeholders strongly supporting increasing expenditure. • Support to investigate a number of the options under Scenario 3, in particular investing in a safety switch replacement accelerated program and investing in 33kV cable network to provide more security of supply. • Strongest support was for additional expenditure to improve safety and health outcomes for SA Power Networks staff and the public. • There was no support for Scenario 3 Option 1, improving reliability to 10 average minutes without supply. However, there was some support for looking at improving reliability to 15 average minutes by Year 3 of the 2025-30 period, that is, achieving the ESCOSA reliability standard more quickly than in Scenario 2.
Scenario 1 – Basic	• There was no support for Option 1, Basic, due to the implications to declining reliability and concerns regarding longer duration and more frequent outages in the CBD.

4. Areas of contention or concern

In arriving at the recommendation, the Focussed Conversation explored the following key questions, contentious issues and divergent views:

Scenario	Discussion on this option
Safety requirements of CBD work and current operational constraints	• Significant challenges and complexities in CBD work – access issues (buildings, underground cables and ducts, manholes) and operational restrictions (switches, traffic, parking, access, safety practices). • Scenario 2 and 3 both included expenditure for a safety switch replacement program.
Deliverability and resourcing	• SA Power Networks' ability to deliver the additional expenditure in the CBD over 2025-30 period. • A large proportion of the work would be undertaken by civil contractors and delivering is not an issue.
Reliability targets	• ESCoSA requirements to meet reliability targets and current requirements are worse than interstate standards. • There will be a further decline in reliability if we continue current replacement expenditure levels. • ESCoSA to consider as part of their review of the Electricity Distribution Code.
Benchmarking against other capital cities	• CBD average unplanned minutes without supply per annum for Adelaide significantly higher than other Capital Cities. • ESCoSA to consider as part of their review of the Electricity Distribution Code.
Site visit	• It was highly recommended by attendees that the AER CCP30 and AER staff attend a tour of Adelaide CBD electricity assets to understand the challenges and complexities.

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Customer Experience and Interactions

Focussed Conversation

1. Recommended Service Outcome/ Investment Option

Based on our consultations with Focussed Conversation attendees, SA Power Networks recommends investment in the following programs to continue to facilitate the transition to renewable energy in South Australia in the 2025-30 regulatory period.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
Customer Service Measures and Incentives	-	-	-
Energy Advisory	$4.8 Million	$3.10	$24.30
Personalised and on Demand Services	$10.60 Million	$7.60	$59.80
Connections Policy, Procedure and Charges[1]	-	-	-
TOTAL cost per annum	**$15.4 Million**	**$10.70**	**$84.10**
TOTAL cost 2025-30	**$77 Million**		

1. Proposed policy change for a revised pricing methodology for connections works in the 2025-2030 period.
The numbers supplied are forecasts and will be updated in response to stakeholder input and external market influences over time and are based on Budget Forecast Iteration #3. Our final numbers will be provided in our 2025-30 Regulatory Proposal to be lodged with the AER in January 2024.

2. Why recommend this option?

Initiative	Discussion on this option	
Customer Service Measures and Incentives	SA Power Networks is seeking to update customer service measures for both its State-based (Essential Services Commission of SA) and national (Australian Energy Regulator) governance frameworks in the 2025-30 period. Current measures for both frameworks centre around time to answer telephone calls and are no longer reflective of customer service priorities.	• Current measures are not reflective of modern customer services including increasing footprint of digital channels. • Current measures focus on responsiveness and do not consider quality of communications • Measures should allow timely action/response
Energy Advisory	Energy Advisory service that assists customers in core matters including electricity education, bill and tariff advice, electrification and the smart home/business including solar and battery advice, electric vehicles, advice on carbon reduction. The proposal also includes partnering with community organisations to ensure advisory services are accessible for harder to reach/ vulnerable customers.	• Consistent customer feedback that the electricity market is complex and that there are gaps with obtaining trusted advice from existing avenues such as advisory sites and/or Retailers • SA Power Networks is well placed because of our impartiality and existing relationships with every electricity customer in South Australia

Initiative	Discussion on this option	
Personalised and on Demand Services	Improvements to the digital customer experience (encompassing online and telephone channels) to make it easier for customers to access services on demand and receive proactive communications at their convenience, saving them time and allowing them to make more informed decisions. New services include an easy-to-use portal and mobile application, greater levels of self-service capability, proactive communications, and improved visibility of request status.	• Customers recognised the value of proactive and responsive services in saving them time and making it easier to interact with SA Power Networks • Customer frustrations with the state of existing services and the importance of bringing systems to a modern standard in line with other service sectors • Customers are seeking greater levels of self-management of their information and requests • Customers expect a modern website is user friendly and meets accessibility standards
Connections Policy, Procedure and Charges	The 2025-2030 Connections Policy to be updated to introduce flexible load and export pricing methodology for new connection services. Updates to the Policy include: • A new generation option (covering flexible and firm options) mirroring same pricing methodology as per a load connection. • A flexible load option where the customer may not be charged an augmentation cost and may pay lower ongoing tariff which maybe via a rebate • Load plus generation option to ensure there is no double counting for those choosing a load and generation connection	• Support a two-way network in response to increased uptake of distributed energy technology by customers e.g. solar, batteries and electric vehicles • Lower upfront and ongoing costs for customers selecting a flexible option (where applicable)

3. Other service offerings

In assessing the required initiatives to support customer experience expectations, SA Power Networks considered additional investments in process automation, optimisation and artificial intelligence capabilities. These initiatives were not recommended based on current maturity and capacity to deliver.

The programs recommended for the 2025-2030 period are well considered and represent prudent and efficient expenditure in delivering improvements to customer experience, and were supported at the Focussed Conversation workshops.

4. Areas of contention or concern

In arriving at our recommendation, the Focussed Conversation participants explored the following key questions requiring further clarification:

Customer Service Measures and Incentives	
Feedback on measures	• Measures for ESCoSA and AER should allow timely response by SA Power Networks and include a mixture of qualitative and quantitative measures • Measures should consider digital channels and information accuracy.
Energy Advisory	
Demonstrated value	• A need to better understand the benefit for the customer of the service such as dollar savings or valuable advice that the customer can use • Understanding of the difference between inclusions in proposed offering and a fee for service offering (note that a fee for service offering was not the focus of this Focussed conversation)
Equity in service provision	• Will those without solar/not in a position to invest in solar be able to recover any benefit from this service? • How can it be targeted at the more vulnerable rather than the people who already know how to access good information or have assets?
Deliverability	• A need to consider the implementation timelines and how much can be delivered in the period

Personalised and on Demand Services

Deliverability and customer involvement	• Decent increase in cost from scenario 2 - 3 (prefer to see progress to get to first level, how successful before committing more resources), program can be scaled up over 10 years • Chanel choice might be too much from option 3, stick to getting basic channels right before expanding into additional channels • Involvement of end-user customers/industry, different demographics, level of understanding and ability etc. to co-develop each channel
Bill impact	• Need to consider any efficiencies to offset cost of scenario 3 and present the net bill impact • Consider impact to people on low incomes, scenario 3 will be a higher impact for those that can't afford to pay their bills.

Connections Policy, Procedure and Charges

Further exploration required with industry and understanding of export tariffs	• Agreed that the integration of distributed energy technology within our connection policy is aligned with industry expectations but further work required with relevant industry bodies and SA Power Networks reference groups • Further exploration of matters impacting the pricing methodology particularly export tariffs (to be covered as part of the tariff Focussed conversations) • Stakeholders noted there is a need to consider tradeoff between connection cost and rebate, comparison between flexible and firm will also need to consider this, greater transparency of the rebate is required.

Vegetation Management

Focussed Conversation

1. Recommended Service Outcome/ Investment Option

Based on our consultations with Focussed Conversation attendees, SA Power Networks recommends investment in the following programs to continue to facilitate the transition to renewable energy in South Australia in the 2025-30 regulatory period.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
Undergrounding in High Bushfire Risk Area	$16.2 Million	$2.60	$20.00
Sapling removal program	$1 Million	$0.60	$4.80
Woody weed removal program	$2 Million	$1.20	$9.50
TOTAL cost per annum	**$19.20 Million**	**$4.40**	**$34.30**
TOTAL cost 2025-30	**$96 Million**		

The numbers supplied are forecasts and will be updated in response to stakeholder input and external market influences over time and are based on Budget Forecast Iteration #3. Our final numbers will be provided in our 2025-30 Regulatory Proposal to be lodged with the AER in January 2024.

2. Why recommend this option?

An overview of the program initiatives and why they were included in our recommendation is provided below.

Initiative	Overview	Why included
Undergrounding in High Bushfire Risk Area	The undergrounding initiative was identified as a priority for further consideration in the High Bushfire Risk Area (HBFRA) to reduce clearance costs in high bushfire risk area to enable increased spending in the non-bushfire risk area and reduce bushfire risk. $16.2 Million per annum would result in 6kms p.a. of distribution undergrounding (11kV and below). Undergrounding in HBFRA demonstrates a new value initiative in capital expenditure.	• Supported by stakeholders • Stakeholders were made aware that the Australian Energy Regulator (AER) requires economically viable proposals to be put forward. SA Power Networks does not believe undergrounding will meet the economic viability requirement and the option would result in less than 0.3% of Powerlines in the high bushfire risk areas being undergrounded over 5 years • Despite SA Power Networks being transparent that this option is not an economically viable option, this initiative was still the most strongly supported option by the workshop participants.

Initiative	Overview	Why included
Sapling removal	Sapling removal program demonstrates a new value initiative in operating expenditure to reduce escalation of costs over time. $1 Million per annum would result in approximately 6,700 spans being cleared p.a. of saplings.	• Supported by stakeholders • In September 2021, the SA Government passed new regulations regarding clearance of vegetation around powerlines, with the main outcomes being the potential to reduce tree clearance in the future. • The Electricity (Principles of Vegetation Clearance) Regulations 2021 took effect from 1 September 2021. Key changes include the ability to remove saplings and woody weeds • We have been conducting some sapling removal trials across the state that are proving to be effective. However, since new legislation has passed in late 2021, we do not yet have an ongoing program in place. • This will ensure a significant reduction in cost escalation as the saplings will be addressed prior to requiring ongoing vegetation maintenance.

Woody Weed removal	Woody weed removal program demonstrates a new value initiative in operating expenditure to reduce escalation of costs over time. $2 Million p.a. would result in approximately 1,340 spans being cleared p.a.	• Supported by stakeholders • In September 2021, the SA Government passed new regulations regarding clearance of vegetation around powerlines, with the main outcomes being the potential to reduce tree clearance in the future. • The Electricity (Principles of Vegetation Clearance) Regulations 2021 took effect from 1 September 2021. Key changes include the ability to remove saplings and woody weeds • There is strong support from Councils for SA Power Networks to be removing woody weeds versus cutting given the cost to remove

3. Other service offerings

The other service offerings /initiatives that were explored through the focussed conversation but are not recommended for investment are as follows:

Native Vegetation removal	In September 2021, the Electricity (Principles of Vegetation Clearance) Regulation was reviewed. Some major changes were the ability for SA Power Networks to remove woody weeds and saplings but did not provide SA Power Networks with the ability to remove harshly pruned Native Vegetation without paying an offset.	This initiative was voted to be of lower priority than other initiatives for the following key reasons: • Subject to the approval of the Native Vegetation Council • SA Power Networks required to pay an offset for native vegetation removals • Stakeholders have differing views on the merits of the removal of harshly pruned native vegetation
Partnerships and collaboration	SA Power Networks will continue to partner and collaborate with key stakeholders to improve outcomes of our vegetation program, whilst fulfilling the obligations of the Electricity Act 1996 and the Electricity (Principles of Vegetation Clearance) Regulation 2021. Such collaborations will include • Appropriate Species Advisory Committee • LG Working Group • Arborist Reference Group • Appropriate Planting Street Tree Trials • Green Adelaide, Wellbeing SA, and SA Water	• Participation in research trials with partners is already occurring. • No additional funding through the regulatory proposal is being sought for these activities as these are currently part of our business as usual activities.

4. Areas of contention or concern

In arriving at the recommendation, the Focussed Conversation participants explored the following key questions, contentious issues and divergent views:

Program specific	
High level of stakeholder support for undergrounding	With costs ($75 Million over 5 years for 30kms) is likely to be viewed by the AER as not economically prudent and efficient. SA Power Networks does not believe undergrounding will meet the economic viability requirement. While SA Power Networks does not think this proposal will be supported by the AER we are committed to ensuring stakeholder feedback and recommendations are presented to the People's Panel.
Role of SA Power Networks	
Vegetation management practices	Stakeholders provided feedback that at a time of accelerating climate change SA Power Networks needs to be seen as taking a responsible role in vegetation management. SA Power Networks notes the challenge for Councils to meet canopy targets and address urban heat island. SA Power Networks has a role to distribute electricity and to enable renewable energy transition therefore, trees and Powerlines need to co-exist in harmony through planting the right trees in the right place. There was some skepticism regarding the notional idea of offset payments for native vegetation removal, as often roadside vegetation is the only remaining corridor/ habitat left for the remaining wildlife. Removal of native vegetation was not considered in this proposal due to feedback receiving lower levels of support.

Public education	Stakeholders asked for more public education on vegetation management and tree clearance to be coming from SA Power Networks. As part of our ongoing commitment to vegetation management we will continue to pursue these opportunities for collaboration and public education as part of our business as usual.
Bill impacts	Discussion about whether there was a need for SA Power Networks to increase expenditure at all due to the perception via media reports that SA Power Networks has been overcharging consumers and making profits beyond expected profit margins. The Australian Energy Regulator and the Energy Network Association provided a response to these claims to clarify as an incentive-based regulatory framework, when a network business improves productivity and realises efficiency gains that allows for additional returns in the current regulatory period. These benefits are ultimately passed through to consumers in the form of lower prices in the next regulatory period.
Process specific	
Strategic costs and benefits	Stakeholders raised the importance of providing the People's Panel with an understanding of all costs and benefits relating to vegetation management, including climate change impacts. [SA Power Networks noted that the Australian Energy Regulator economic assessments do not include factors attributable to climate change] The People's Panel participants will be receiving strategic overviews of impacts and considerations, on a range of associated topics through other focussed conversations outcomes (for example, bushfire safety). The People's Panel will receive an overview of our Sustainability Strategy and Customer Charter and relevant documentation impacting the future of energy.
Concerns about independence of process	The role and remit of the People's Panel and the economic assessment role of the AER was explained. This included the level of rigour given to pricing proposals and the objectivity of the engagement process.

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Property

Focussed Conversation

1. Recommended Service Outcome/ Investment Option

Based on our consultations with Focussed Conversation attendees, SA Power Networks recommends investment in the following programs to continue to facilitate the transition to renewable energy in South Australia in the 2025-30 regulatory period.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
Building renewal program and asset replacement. Out of scope	*$15.7 Million*	*$3.10*	*$24.80*
In scope for deliberation	$1.5 Million	$0.30	$2.30
Transformer Workshop and Storage	$5.4 Million	$1.10	$8.60
TOTAL cost per annum (In scope for deliberation)	**$6.9 Million**	$1.40	$10.90
TOTAL cost 2025-30	**$113 Million**		

The numbers supplied are forecasts and will be updated in response to stakeholder input and external market influences over time and are based on Budget Forecast Iteration #3. Our final numbers will be provided in our 2025-30 Regulatory Proposal to be lodged with the AER in January 2024.

2. Why recommend this option?

Workshop participants recommended this Investment Option over the other Investment Options because stakeholders felt it was the level of investment required over the next 5 years to ensure SA Power Networks meets building compliance and undertakes renewal projects to ensure its property assets are fit for purpose, safe and compliant.

The transformer workshop and storage project was supported as a strategic project as it is critical to the role of SA Power Networks and the implications of not upgrading are too critical in terms of customer impacts and reduced service levels. This includes the following works:

- Asset Replacement/ Routine Maintenance
    - Asset Register Replacements and Break-Fix Replacements (recurring program)
- Targeted Building Renewal Projects
    - Elizabeth Depot Renewal
    - Ceduna Depot Renewal
    - Cleve Depot Renewal
    - Morphett Vale Depot Renewal
    - Victor Harbor Depot Renewal
    - Murray Bridge Depot Renewal
    - Port Augusta Depot Renewal
    - Mt Barker Depot Renewal
    - Fleet Workshop
    - Marleston North
    - Marleston South (Sheds/Hardstand)
    - Angle Park North (Pole Construction)
    - Keswick Office Fit-out Refurbishment
- Strategic Project – Transformer and Storage Workshop
    - A fit for purpose facility to manage expected demand
- Assets at or beyond end of life and in poor condition and performance.
- Comply with obligations and requirements.

3. Other service offerings

The other service offerings /initiatives that were explored through the focussed conversation but are not recommended for investment are as follows:

Scenario	Discussion on this option
Scenario 1 – Basic	• Asset Replacement/ Routine Maintenance - Asset Register Replacements and Break-Fix Replacements • This option was not supported as it does not allow SA Power Networks to meet its building compliance and property upgrade requirements and provide facilities that are fit for purpose to operate the network
Scenario 3 – New Value	• New or expanded Depot capability and adaptable to changes in delivery models (new repex depot) • New SMAS/Transmission Depot • Stakeholders did not support the two additional new value projects as they did not feel there was enough information or a business case at this stage that supported the investment. • In relation to the new repex depot

4. Areas of contention or concern

In arriving at the recommendation, the Focussed Conversation explored the following key questions, contentious issues and divergent views:

Cost escalations	• The challenges of the current market and geo-political environment creating significant cost implications. This makes forecasting projects difficult and increases project risks.
Transformer Workshop and Storage upgrade	• The need for the upgrade of the transformer workshop to achieve compliance, manage the condition (currently poor) and ensure its criticality to the business was understood by stakeholders was highlighted. The strategic importance of this project to the ongoing viability of the business was noted. • Stakeholders questioned whether the Government has a role to play given the significance of the site for state and economic development.

IT Cyber Security

Focussed Conversation

1. Recommended Service Outcome/ Investment Option

Workshop participants are recommending to the People's Panel that SA Power Networks should invest to support Cyber Security capability Option 2 – Maintain.

The IT Focussed Conversation did not seek endorsement of the whole IT investment program. In addition to reviewing the cyber security capability requirement, it was to inform participants of the investment needed to maintain existing IT services, and to highlight the specific IT funding required to support/enable initiatives recommended from the other Focussed Conversation topics.

Program	Program cost per annum	Residential bill impact (average $ annual)	Business bill impact (average $ annual)
Cyber Security: Maintain compliance	$8.7 Million	$5.30	$41.60
TOTAL cost per annum	**$8.7 Million**	**$5.30**	**$41.60**
TOTAL cost 2025-30	**$43.5 Million**		

2. Why recommend this option?

Option 2 - Complicance provides for the investment level required to enable achievement and maintenance of the AESCSF (Australian Energy Sector Cyber Security Framework) Security Profile 3 (SP3).

Outcomes of this Option for customers include:

- alignment to legislative requirements anticipated to be required by the end of 2030;
- improvement in system resilience, with systems more quickly returning to operational as people are more prepared and processes are better;
- systems required to operate the network are better trusted and more able to be relied upon by operators, supporting the continual delivery of services;
- reduced risk of a cyber security incident that delays the delivery of a service or resolution of an outage; and
- more secure digital experiences for customers with SA Power Networks across a broader range of online services, with greater protections over customer confidential information.

Workshop participants recommended Cyber Security Option 2 – compliance over the other options because they felt that:

- meeting expected legislative requirements is a clear and given requirement; and
- in the absence of independent expert opinion, meeting ASECSF SP3 should enable the business to address an adequate level of cyber security risk.

While stakeholders considered the benefits associated with additional investment in cyber security above expected legislative requirements, the consensus was to endorse a more prudent investment level.

3. Other service offerings

The other service offerings /initiatives that were explored through the focussed conversation but are not recommended for investment are as follows:

Option	Rationale of why not supported
Option 1: Basic (as is)	• Stakeholders were cognisant of the evolving threat landscape and considered that continuation of the existing level of investment would not provide the ability for SA Power Networks to meet the ever-increasing cyber security threat • Stakeholders recognised the requirement for SA Power Networks to meet expected legislative obligations, and endorsed the SA Power Networks opinion that this was likely to require meeting AESCSF SP3 by 2030
Option 3: New Value (Advanced)	• Stakeholders generally believed that SA Power Networks should not have a mandate to exceed expected legislative requirements (AESCSF SP3) • While stakeholders were cognisant of the relatively modest increase in the cost of option 3 relative to option 2, they considered that the accumulation of these 'additional' costs were adding to a total investment level that would place too great a burden on customers.

4. Areas of contention or concern

In arriving at the recommendation, the Focussed Conversation explored the following key questions, contentious issues and divergent views:

Discussion Area	Comment / Concern
Compliance obligations	• AESCSF SP1 has been drafted into legislation and is expected to be enacted within the next 18 months • This recommendation assumes that AESCSF SP3 will be legislated prior to 2030 and hence will become the new minimum requirements for compliance during the 2025-30 Regulatory Control Period • Cyber security risks are increasing, not decreasing, and specific regulations may be imposed by legislation / the Australian Energy Regulator (AER) regardless of the group's opinions
IT as an enabler / IT forecasts	• The Cyber Security capability uplift is part of Scenario2: Maintain. Other than this item, Scenarios 1 and 2 were presented for information only. This IT expenditure will be assessed and benchmarked by the AER against their ICT evaluation criteria to determine whether it is prudent and efficient. • Scenario 3 – New Value IT costs are the IT component of delivering the preferred scenario from the other Focussed Conversation workshops, which we are required to highlight and describe separately within the IT submission (hence it is not a duplication of the costs). The IT Focussed Conversation was deliberately held at the end of other workshops, so a summation of the IT costs of the New Value items from those workshops could be provided. For example, this includes $44.5 million in IT costs to support the Reliability and Bushfire Safety program. • If any of these other Focussed Conversation scenarios are not progressed, the related New Value IT expenditure will be removed. Non-acceptance of the IT costs for these proposed business programs would result in SA Power Networks not being able to deliver the programs.

Discussion Area	Comment / Concern
	• IT capex will be recovered over a five year period from when it is spent. Opex is generally recurrent expenditure and will be funded from a total annual opex allowance approved by the AER. The majority of expenditure will therefore be recovered in the 2025-30 year period and the remainder in following regulatory period. • The AER has already accepted the need to move to AESCSF SP3 for similar businesses (e.g., ElectraNet). SA Power Networks could therefore likely not recover cyber security uplift as a pass-through event and needs to forecast this in its proposal.
Complexity of topic being discussed	• It was noted that this is a complex and specialised area and it therefore may be beyond the ability of people in the room to assess adequately. • Community Advisory Board (CAB) is relying on the AER to ensure the proposal is prudent and efficient to enable achievement of AESCSF SP3. • Participants discussed the speed of change in the area of cyber security and the rising level of risks and the importance of being prepared rather than playing catch-up.
Acceptance of Risk	• The greatest risk for SA Power Networks associated with cyber security is the risk to the security of the network and the resulting disruption to electricity supply • The SA Power Networks Board could choose to invest additional amounts if it is unwilling to accept the level of risk that funding will mitigate
Options and recommendation	• Participants noted the significant additional cost from Option 2 compared with Option 1, though also noting the additional benefits • One participant questioned the basis for moving to Option 3 if SA Power Networks currently has good defences and no reportable offences • One participant supported Option 3 due to the relatively small incremental cost for the additional value provided; and the potential for this functionality to cost more if left until future years

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Other Focussed Conversations

Why they are not included

The following focussed conversation recommendations have not been included in this booklet and the marketplace discussions for the following reason:

- Tariffs (export) – information to inform 'deliberative guide' for the People's Panel for discussion 5/6 March
- Tariffs (consumption) – information to inform People's Panel deliberation
- Public lighting – no impact to People's Panel and overall Price Stack as public lighting is classified as an alternative control service and is funded directly by public lighting customers (rather than a standard control service)

Notes

Notes



Empowering South Australia