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Mr Kris Funston
Executive General Manager
Australian Energy Regulator
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By email SAPN2025@aer.gov.au

14 May 2024

Dear Mr Funston,

Submission to the Australian Energy Regulator's Issues Paper:
SA Power Networks Electricity Distribution Determination 2025-30

The Energy and Water Ombudsman (SA) Limited (EWOSA) welcomes the opportunity to submit on the Australian Energy Regulator's Issues Paper on SA Power Networks Electricity Distribution Determination 2025-30.

EWOSA is the independent energy and water ombudsman scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

The submission provides responses to some of the questions posed in the Issues Paper.

Question 1 – What are your views on the scope of our in-depth targeted review for SA Power Networks? Are there any other aspects of the proposal that require an in-depth review?

The increases in operating expenditure (18.8%) and capital expenditure (21.9%) proposed by SA Power Networks (SAPN) are significant and EWOSA believes that it is appropriate that they are subject to an in-depth targeted review by the Australian Energy Regulator (AER).

Please also note our comments on the proposed small compensation claims regime – one of the 11 step changes that the AER plans to consider in its in-depth targeted review – in our response to Question 12 below.

Question 2 – Are stakeholders comfortable with the AER undertaking a high-level review of SA Power Networks' proposed depreciation and tariff schedule?

EWOSA is comfortable with the AER undertaking high-level reviews of SAPN's proposed depreciation and tariff schedule. We have further comments on tariffs in our response to Question 17 below.

Question 4 – What are your views regarding the merits of SA Power Networks' price stability narrative and do you think there is an opportunity to decrease prices?

We have some concerns for the next regulatory period (2030-35) of the proposed higher operating and capital expenditures this regulatory period, that have been partly enabled by the lower depreciation revenue and the cessation of the State Government solar feed-in-tariff in 2028. In particular, upward pressure on the network component of electricity prices could be significant beyond 2030, given that the higher operating and capital expenditures will probably be embedded in the system, including through a larger Regulatory Asset Base.

Nevertheless, we support the "non-standard revenue smoothing" by SAPN to enable some price reductions in the first three years of the regulatory period, which are to be subsequently followed by downward pressure on bills with the conclusion of the State Government solar feed-in-tariff. This should ensure there are no price shocks for customers resulting from the operation of the distribution network during the 2025-30 regulatory period.

Question 12 – What do you think about SA Power Networks' key changes from the Draft Proposal as set out in Section 4.4.2?

<u>Small Compensation Claims Regime</u>
EWOSA strongly supports the introduction of a new small compensation claims regime. We recommended a claims regime in our submission to SAPN on their Draft Regulatory Proposal and we support the State Government likely requiring a claims regime from SAPN through Part 7 of the National Energy Retail Law.

Given that the claims regime is likely to be a requirement of the State Government, we believe that the AER only needs to undertake a high-level review, to determine whether the quantum of expenditure involved and proposed by SAPN is reasonable. It should also be noted that the State Government will likely have significant input into the levels of operating expenditure required for SAPN to comply with the regime.

While it has yet to be confirmed, we believe that limiting the definition of a "claimable incident" under the claims regime to "any unexplained or unexpected failure that leads to voltage variation on SA Power Networks' distribution network" is appropriate and specific. Given some of the monetary compensation amounts also proposed, this would likely provide for the compensation necessary to affected customers and at the same time would also prevent the claims regime becoming too expensive and minimise any spurious claims being made. We also believe that SAPN should only be able to recover the costs of the scheme from the consumer base in those situations where it has not acted negligently or in bad faith in relation to the voltage variation incident.

EWOSA usually receives 3-4 complaints on average per month about SAPN regarding voltage variations, apart from a spike in complaints in late 2022-early 2023, when 31 complaints were received in just three months. This reflected a few significant events over that period which affected multiple energy customers. While not all of these complaints involve people seeking compensation, they do indicate that voltage variation is not an insignificant issue and the expenditure proposed by SAPN for the new small compensation claims regime is probably reasonable.

As well as compensation for the specific customers for damage caused by voltage variations, consumers generally will benefit from having more trust and confidence in the electricity industry if the proposed small compensation claims regime is implemented. It is also expected that EWOSA would receive fewer complaints about voltage variations as a result.

Other Customer Assistance Initiatives
EWOSA supports the extension of the “Knock Before You Disconnect” program, without seeking funding from customers.

We also support the introduction of a new Vulnerable Customer Assistance Program (VCAP), again without seeking funding from customers. Proposals for the VCAP to include small grants to customers to improve energy efficiency and a new SAPN van to assist the community during extended outages are positive initiatives.

Question 15 – Do stakeholders have feedback on the design of SA Power Networks' proposed CSIS?

While EWOSA generally supports a Customer Service Incentive Scheme (CSIS), the one proposed is limited in scope. We recommended a more detailed CSIS in our submission to SAPN on their Draft Regulatory Proposal, with the inclusion of more indicators. Nevertheless, we appreciate that SAPN investigated the possibility of including additional measures.

We note that the customer service first call resolution element of the CSIS, while an improvement on the telephone responsiveness measure currently in place, has effectively just shifted from the Service Target Performance Incentive Scheme (STPIS) to the CSIS.

EWOSA recommends that SAPN and the AER consider whether the second aspect of the proposed CSIS – better informing customers about unplanned supply interruptions and when their electricity supply is expected to be restored – should be added to the STPIS and the first measure be retained in the STPIS. This would mean there is no need to have two separate service incentive schemes, which would reduce administrative and reporting costs for both SAPN and the AER and simplify assessment for stakeholders.

Question 16 – Do you have any views on the proposed application of any of the above incentive schemes?

We support the AER conducting an in-depth targeted review of the proposed $20 million Innovation Fund and any potential interactions it might have with the various incentive schemes, so that the expenditure is appropriate.

Question 17 – Do you consider there are any aspects of SA Power Networks' proposed TSS that requires adjustment before our acceptance?

EWOSA supports the AER's Early Signal Pathway approach that the tariff structure statement (TSS) should receive a high-level review and we believe that the TSS is likely capable of acceptance at the draft decision stage, subject to stakeholder feedback to the AER's Issues Paper.

We provided the following feedback about tariffs to SAPN on their Draft Regulatory Proposal:

- We believe the export tariff for solar exports above a particular threshold and the rollover of the threshold where appropriate, is an efficient and equitable way to help manage congestion in the network caused by solar exports.
- We agree with the proposed changes to the default tariff structures for small business customers, especially the electricity consumption split and the establishment of a daily supply charge differential between small (<40MWh) and medium sized (40-160MWh) businesses.
- We support the ongoing shift away from demand-based tariffs for some, usually small, customers.

- We support the Residential Electrify tariff replacing the Residential Prosumer tariff and for those customers on the Residential Prosumer tariff being reassigned to the Residential Time-of-Use tariff, with the option to go onto the Residential Electricity tariff if they choose to.

A broader issue regarding tariffs is highlighted by the fact that EWOSA receives complaints from electricity customers who are placed on time-of-use tariffs when they receive a smart meter. These complaints are sometimes about being placed on such a tariff without the ability to opt-out or not having received sufficient information about the implications of time-of-use tariffs when the change occurs. Other complaints can include higher than expected bills after being placed on a time-of-use tariff or the incorrect application of time-of-use tariffs.

We believe that customers should have the option of choosing a simple single flat rate tariff, even if they have a smart meter. Ultimately, such tariff options would need to be offered by electricity retailers and while this goes against the application of cost-reflective tariffs and is probably out of scope for the AER when considering SAPN's regulatory determination, it would provide an important customer protection that some energy consumers are looking for.

Question 18 – Do you consider SA Power Networks' proposed legacy metering cost recovery approach and its opex forecasts to be reasonable?

EWOSA supports the proposed approach from SAPN regarding legacy metering services and cost recovery. We agree with the reclassification to Standard Control Services (SCS), given this is the guidance from the AER and that it is also the most equitable solution, which will recover legacy metering costs from the entire customer base. As stated in the Issues Paper, the accelerated rollout of smart meters should also provide system-wide benefits that all customers should receive. We believe treating legacy metering services as a sub-component of SCS expenditures is appropriate for transparency and stakeholder assessment purposes.

The accelerated rollout of smart meters planned by 2030 is expected to provide some benefits for consumers, including greater visibility over their electricity usage and the associated potential to change consumption patterns in response to time-of-use and other tariff structures to reduce electricity bills. However, there were a number of problems when metering contestability was introduced in late 2017, which manifested in poor outcomes for some customers and substantially higher metering related complaints to EWOSA in 2018. While the Australian Energy Market Commission's Draft Determination for the Accelerating Smart Meter Deployment rule change provides for some enhanced customer protections, we still have concerns about whether the accelerated rollout of smart meters will proceed smoothly. Reflecting this, we support the expenditure proposed by SAPN that is allocated for resolving disputes as legacy meter replacements occur.

Thank you for consideration of this submission. Should you require further information or have any enquiries regarding this submission, please contact me at antony.clarke@ewosa.com.au or on (08) 8216 1861.

Yours sincerely

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