

Revenue Reset Reference Group

TUESDAY, 23 SEPTEMBER 2025

Acknowledgement of Country

ElectraNet acknowledges
the Traditional Owners of
the land and waters on
which we operate.

We pay our respects to
their Elders past, present
and emerging and extend
that respect to all other
Aboriginal and Torres Strait
Islander people of Australia.



Meeting Agenda

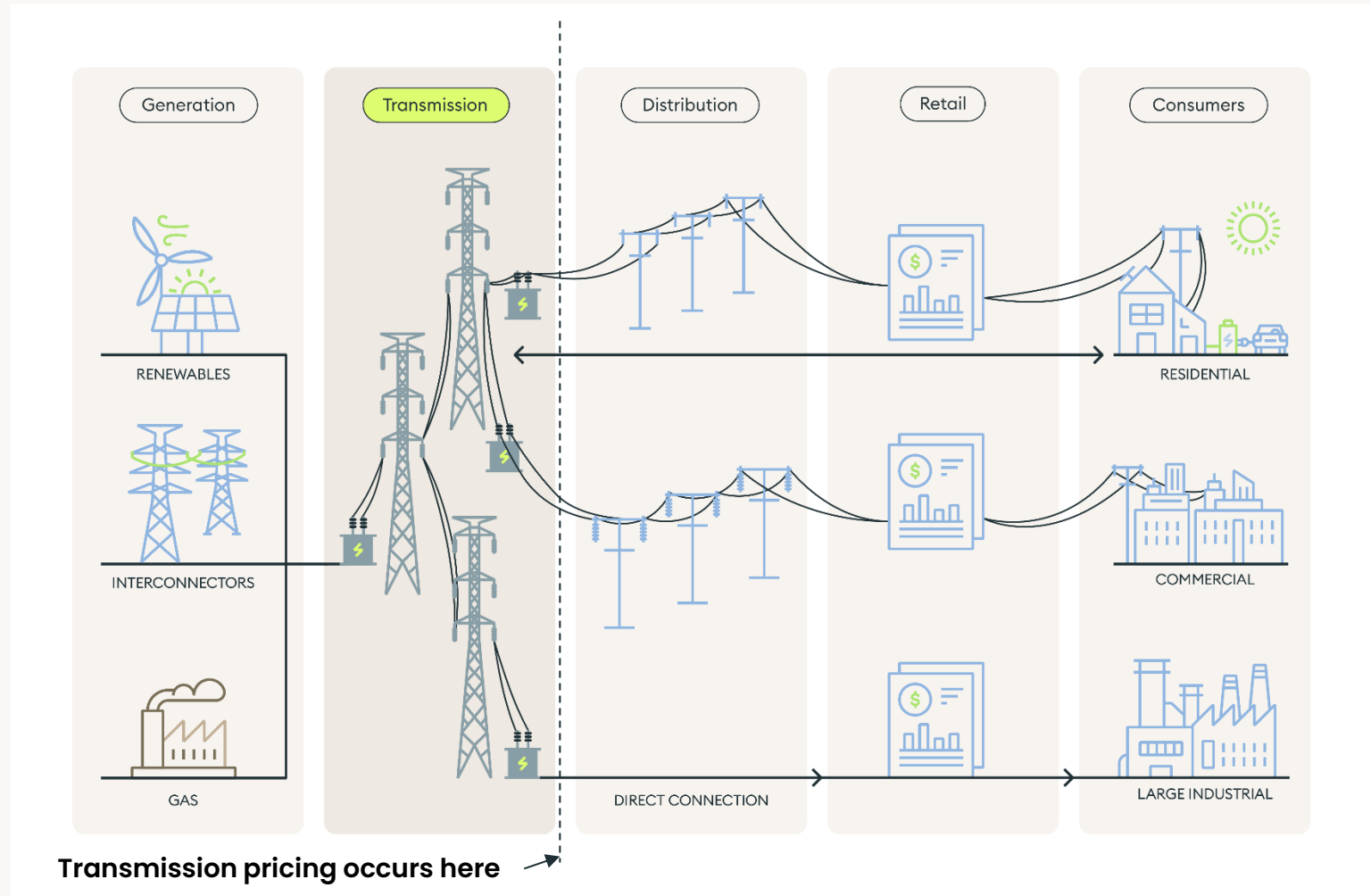
	TIME	ITEM	PRESENTERS
1.	10.00am (5 mins)	Acknowledgement of Country and welcome	Leanne Muffet, (Independent Facilitator)
2.	10:05am (10 mins)	Minutes and actions	Leanne Muffet, (Independent Facilitator)
3.	10:15am (45 mins)	Transmission Pricing	Ed Heaton
4.	11:00am (10 mins)	Break	All
5.	11:10am (10 mins)	Recap on RRRG phase one	Jeremy Tustin
6.	11:20am (45 mins)	Retrospective and look forward*	Leanne Muffet
7.	12:05am (20 mins)	Andrew Richards present on other reset engagements	Andrew Richards
8.	12:25pm (20 mins)	Pulse check, meeting actions & AOB	Leanne Muffet
Next meeting – 10am Tuesday 18 November 2025			

*this was business narrative

Transmission Pricing

Transmission pricing overview

- Prescribed and mechanistic process with few areas for discretion or influence
- Transmission pricing applies to load customers, as a rule generators do not pay for the network
- ElectraNet has a Pricing Methodology rather than a Tariff Structure Statement
- Prices based on connection points with no capacity to segment across customer groups



Transmission price components

The Rules:

At any given connection point there is one tariff consisting of four components.

Each component relates to a category of prescribed service

TNSPs are not permitted to change this structure (unlike DNSPs)

1. **Exit** price

- charged in \$ per day
- Relating to assets in the substation and only used by that connection point
- Charge is specific to each connection point

2. **Common service** price

- charged in \$ per MW (AMD) or \$ per MWh
- Relate to services used by all (e.g. sync cons)
- Postage stamped

3. **Locational** price

- charged in \$ per MW (AMD)
- Relating to assets 'in the network' used by the connection point
- Charge is specific to each connection point

4. **Non-Locational** price

- charged in \$ per MW (AMD) or \$ per MWh
- Rounding item to bring revenue to MAR
- Postage stamped

Transmission Prices

Assets solely used by this connection point – individual but low

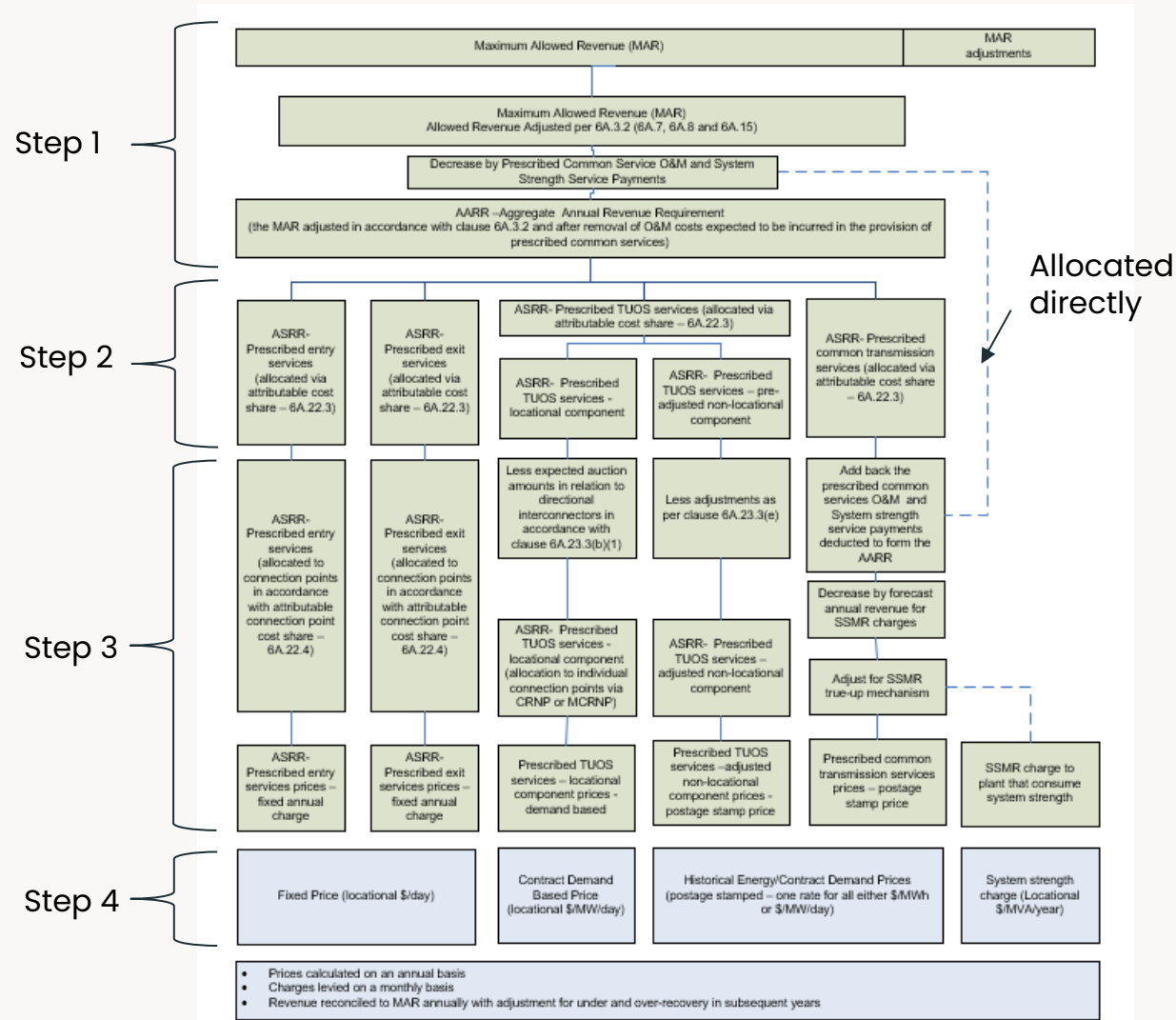
Cost recovery element – postage stamped

Customer Group of Connection Points	Voltage (kV)	Exit Price (\$/day)	TUOS Locational	TUOS Non-Locational		Common Service	
			Capacity Price (\$/MW/day)	Capacity Price (\$/MW/day)	Energy Price (\$/MWh)	Capacity Price (\$/MW/day)	Energy Price (\$/MWh)
Adelaide Southern suburbs	66	15,320	60.361	160.866	24.994	62.608	9.727
Adelaide Western suburbs	66	2,728	65.573	160.866	24.994	62.608	9.727
Berri	66	2,181	227.745	160.866	24.994	62.608	9.727
Dalrymple	33	1,380	470.049	160.866	24.994	62.608	9.727
Davenport West	33	2,454	90.767	160.866	24.994	62.608	9.727
Neuroodla	33	366	734.391	160.866	24.994	62.608	9.727
Port Lincoln	33	3,066	815.923	160.866	24.994	62.608	9.727

Assets 'in the network' based on utilisation – individual and highly variable

Services used by all customers equally – postage stamped

Transmission pricing/ MAR allocation



The Rules:

Modified Cost Reflective Network Pricing determines locational prices

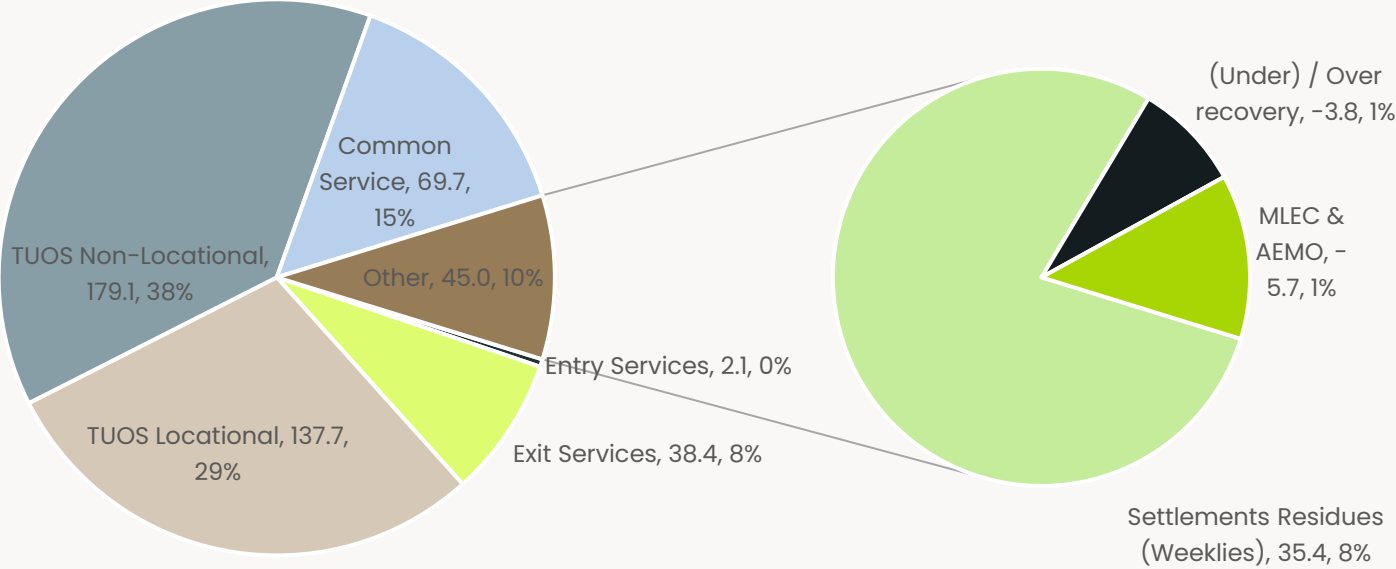
Side constraints limit year on year variability

Adjustments for items such as settlements residues, AEMO fees etc

FERM will adjust Common Service prices

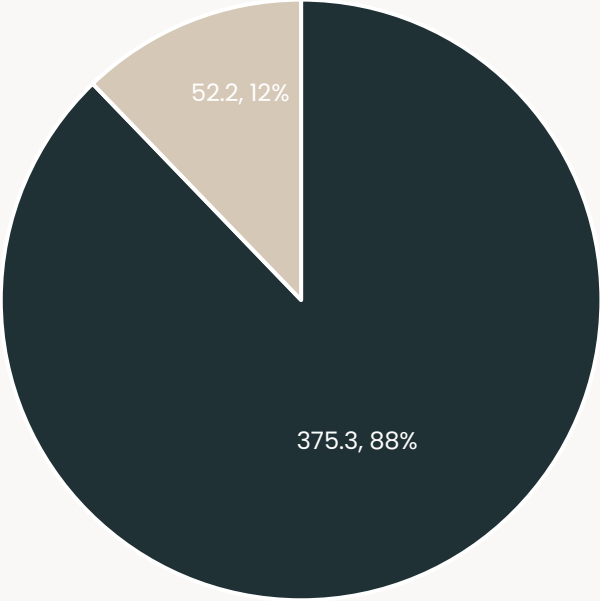
Revenue Recoveries – 2025/26

Revenue by Source \$m



- Entry Services
- TUOS Non-Locational
- (Under) / Over recovery
- Exit Services
- Common Service
- MLEC & AEMO
- TUOS Locational
- Settlements Residues (Weeklies)

Revenue by Customer \$m



- SAPN
- Other

Impact on distribution & retail bills

	Approx			
	2025/26 \$m	Percentage	customers	Percentage
Residential	158.8	43%	831,750	89.0%
Small business	61.6	17%	97,973	10.5%
Large Business LV	93.7	25%	4,668	0.5%
Large Business HV	24.5	7%	185	0.0%
Major business	32.1	9%	36	0.0%
Total	370.8	100%	934,611	100%
Over recovery	4.6			

*SA Power Networks Pricing Proposal 2025/26

	Cost per kWh	DMO	DMO	DMO	Percentage
	(Inc GST)	kWh	TUOS	Total	of DMO
Residential Single Rate	\$ 0.05	4,000	\$ 194	\$ 2,301	8.4%
Business Single Rate	\$ 0.06	10,000	\$ 598	\$ 5,541	10.8%

*SA Power Networks Pricing Proposal 2025/26

**AER Default Market Offer 2025/26

ALLOCATION BASIS TO TARIFF CLASS		TARIFF CLASSES			
	Major Business	Large HV business	Large LV Business	Small Business	Residential
Number of Customers (NMIs)	0.0%	0.0%	0.5%	10.0%	89.5%
Diversified Demand (MVA)	4.5%	6.3%	27.3%	17.5%	44.4%
Usage GWh (at Pool Exit)	9.2%	7.8%	32.4%	16.4%	34.2%
Distribution (SA Power Networks)					
Sub Transmission lines	8% of Revenue allocated 50% Demand and 50% Usage				
Zone Substations	17.5% of Revenue allocated 50% Demand and 50% Usage				
High Voltage lines	33.3% of Revenue allocated 50% Demand and 50% Usage				
Distribution transformers	17% of Revenue allocated 50% Demand and 50% Usage				
Low Voltage lines	15% of Revenue allocated 33.3% each to NMI/Demand/Usage				
Services, GSLs	6.2% of Revenue allocated on a per NMI basis				
Customer related	3% of Revenue allocated on a per NMI basis				
Metering	100% of Metering Revenue allocated on a per NMI basis				
Transmission (ElectraNet)					
Transmission exit	6% Locational passthrough	9% Peak Demand allocation			
Transmission locational		26% Peak Demand allocation			
Transmission non-locational		34% Demand		25% Usage	
Transmission common service					
SA Government Schemes (PV FiT recovery)					
PV FiT recovery	37% of charges allocated on DUoS proportion				63%

*SA Power Networks Tariff Structure Statement Part A – April 2025

Questions?

Recap on RRRG phase one

The regulatory model puts customers at the centre

- Most businesses may charge, and spend, whatever they like
- If they overdo it and spend, or charge, 'too much' their customers go elsewhere
 - Competition gives most businesses an incentive to pursue efficiency
- We are regulated because we have no competition
 - We have a consumer advisory panel to feed back consumer preferences because our customers can't go elsewhere
- The AER's job is to ask one simple question
- The same question should guide our decisions

What would ElectraNet do if it had competitors?

It would make prudent and efficient choices and decisions based on what its customers want.



AER Objectives

Handbook Objective: ensure proposals focus on consumer needs and deliver better outcomes.

Consumer-centric focus

- Consider consumer needs in network investments
- Encourage networks to engage with consumers early

Value for Money

- Networks need to justify costs with clear consumer benefits
- Pricing should reflect consumer usage patterns

Transparency & Communication

- Networks to provide clear, understandable information
- Consumers get more insight into proposals

Strengthening Consumer Involvement

- Encourage active consumer participation in decision-making
- Feedback shapes network proposals

Future-Proofing

- Adapt network planning for new technologies and changing needs.

Better Resets Handbook Towards Consumer Centric Network Proposals

July 2024



Revenue Proposal – revenue building blocks



Return on Capital = a measure of return on investments (capex)

Return of Capital = annual regulatory depreciation allowance

Opex = annual operating and maintenance cost allowance

Tax = regulatory tax allowance

EBSS = carryover amounts for the Efficiency Benefit Sharing Scheme from the previous regulatory period.

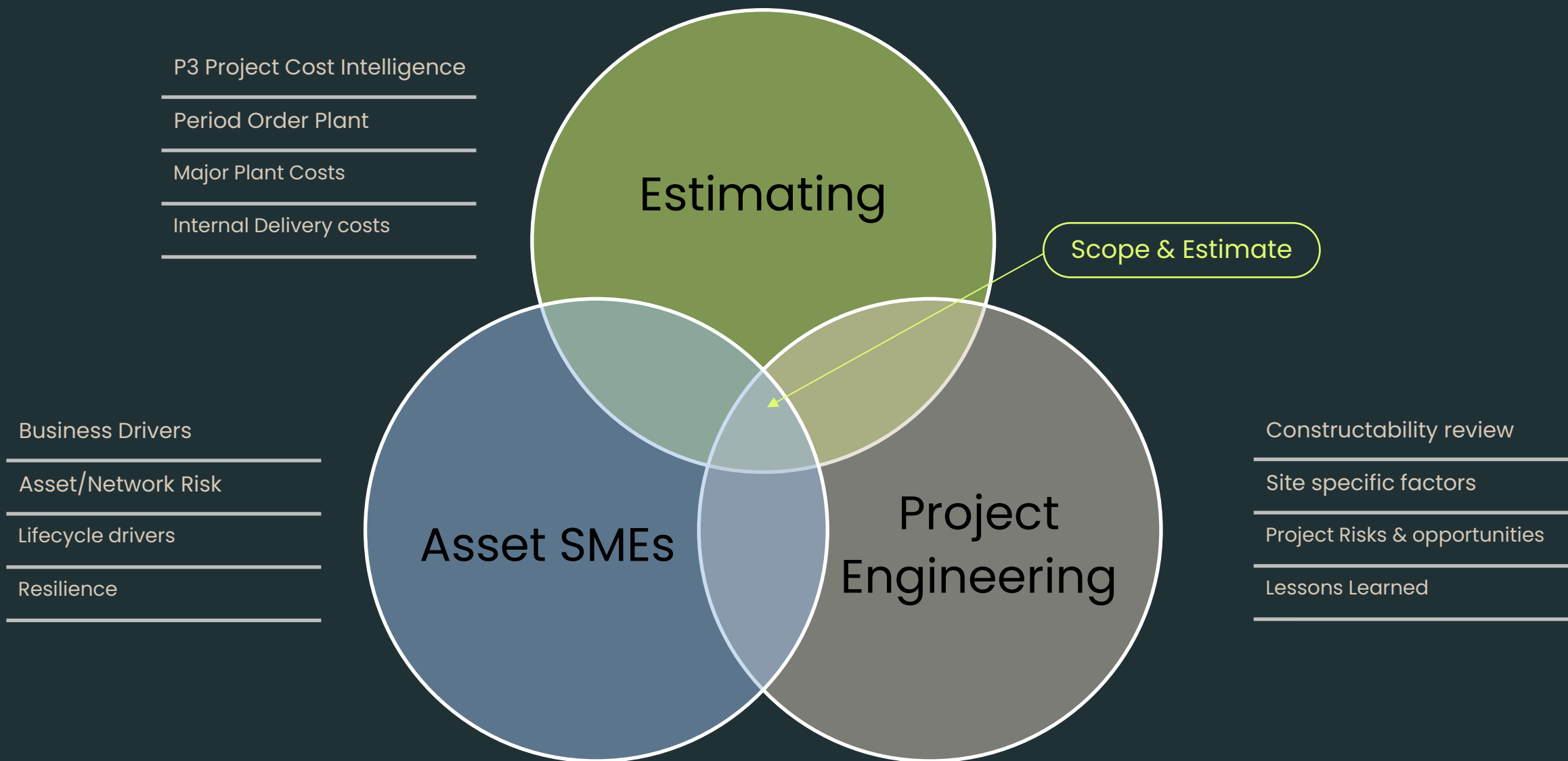
CESS = carryover amounts for the Capital Expenditure Sharing Scheme from the previous regulatory period.



WACC – ElectraNet must apply the AER’s Rate of Return Guidelines

RAB – adjusts each year for new assets (capex), disposals and depreciation

Collaborative Estimating Approach



Operating Expenditure (Opex)

Opex Forecasting Methodology

Base

Determine an efficient
base year

Step

Step changes e.g.,
new obligations

Trend

Rate of change in
output, price* &
productivity growth

Opex Categories

Controllable

Maintenance
Operational refurb
Network operations

Other Controllable

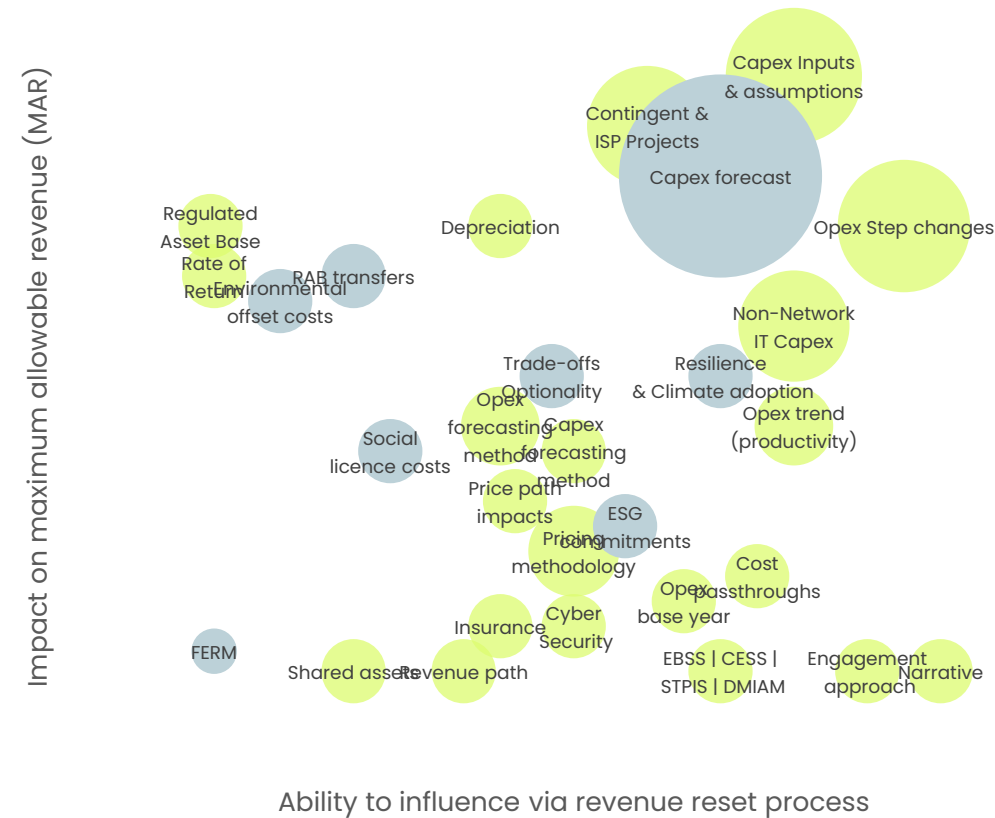
Asset Management support
Corporate support

Non-Controllable

Insurances
Network Support
Licence fees
Debt raising

The Bubbles

Bubble size indicates level of interest



- Engagements aspects included in 1 July 2023- 30 June 2028
- Additional Engagements aspects included in 1 July 2028 - 30 June 2033



RRRG meeting

Retrospective and look forward*

23 September 2025 // Leanne Muffet

High level analysis from **PULSE CHECK** (July 2025)

Working well:

- Most useful insights:
 - Capex scoping and estimates,
 - Discussion with RG members,
 - Risk / risk appetite for infrastructure investment
- The session was useful
- It's great that the staff are so open
- It's clear that ENet is trying to incorporate our needs

Opportunities:

- Keen to:
 - hear from Andrew Richards,
 - hear from Ed re: transmission pricing
 - understand what the RRRG outputs will be
- Often repetition of info in meetings // undecided whether this is 'good' or 'bad'
- Do we need to engage with others??
Eg: larger industry reps

Meetings overview

- April 2025 // Prelim Engagement Plan, Mike Swanston, what does 'good' look like, Principles
- May 2025 // Revenue background, Spheres of influence (Bubble diagram), AER (Arek), Engagement Plan, CCP
- July 2025 // Bubble Diagram, Capex scoping (Brett + Kristian), Engagement Plan, Impact of others
- *Sub station visit*
- Sept 2025 ...

(from mgt 1) **RRRG framing / Expectations**

What are your expectations of ElectraNet?

- Transparent process with early sharing of drafts
- Clear flowchart of engagement process.
- Access to personnel, resources and subject matter experts.
- Help with messaging to consumer groups

What does 'good' look like?

- Consumer fingerprints evident in the final proposal.
- Where disagreement exists, ensure reasoning is clear.
- Emphasis on transparency, responsiveness and evidence of decision making.
- Validating the engagement approach

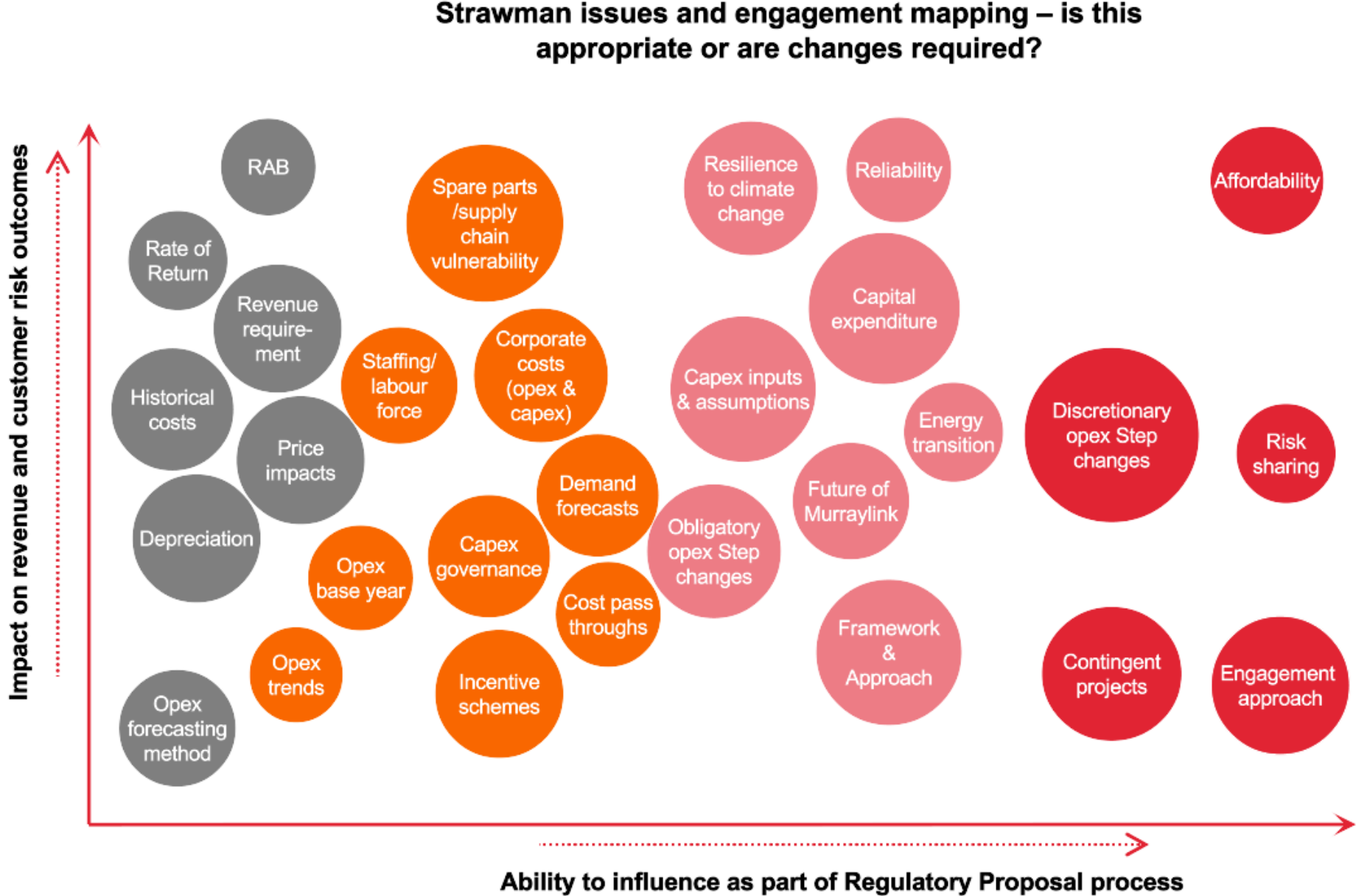
IDEAS for what will the RRRG outcome / product be

Report on price review

- IAP2 framing
- **Validate the engagement approach**
- **Thoroughness and openness of process**
- **Id areas where RRRG is uncertain**
- Role of ElectraNet // Role of RRRG // role of CAP
- Our sphere of influence // control // in scope or out
- Principles ... ethos
- Reflections:
 - Want to move beyond engagement conversations to making observations on pricing, equity, demand story etc too
 - Comment on these issues and suggest areas for further work

Issues mapping

Level of engagement (IAP2 Spectrum)	
Empower	Place final decision-making in the hands of stakeholders
Collaborate	Work together to formulate alternatives and incorporate advice into decisions
Involve	Ensure concerns and aspirations are reflected in alternatives developed
Consult	Obtain feedback on alternatives and draft proposals
Inform	Provide balanced information to keep stakeholders informed



CONSUMER ENGAGEMENT – NOW, NEXT, AND LATER

Month	RRRG Meetings – Focus Area
Jul 2025	Scoping & Estimating Q&A, Finalise Engagement Scope, Review Engagement Plan, Impact of others (AEMO, ESCOSA, SA Gov't AER)
Sep 2025	Revenue & Pricing update
Nov 2025	<i>Network & operating landscape (Business Narrative), Overview of future sessions, Hummocks proposal</i>
Mar 2026	<i>Framework and approach – AER position / update, Criteria capable of acceptance</i>
Apr 2026	<i>Capex forecasting methodology, Opex forecasting methodology</i>
Jun 2026	<i>Opex base year, step changes and trends. Capex inputs and assumptions, Capex and opex forecasts (cut 1)</i>
Jul 2026	<i>Cyber security and Business IT Capex, Resilience and climate adaptation, Updated capex and opex forecasts (cut 2)</i>
Aug 2026	<i>Trade-offs – capex options, Updated capex and opex forecasts (cut 3), Incentive schemes (EBSS, CESS and STPIS)</i>
Oct 2026	<i>Pricing Methodology, Depreciation</i>
Nov 2026	Overview of Revenue Proposal
Dec 2026	Engagement Evaluation



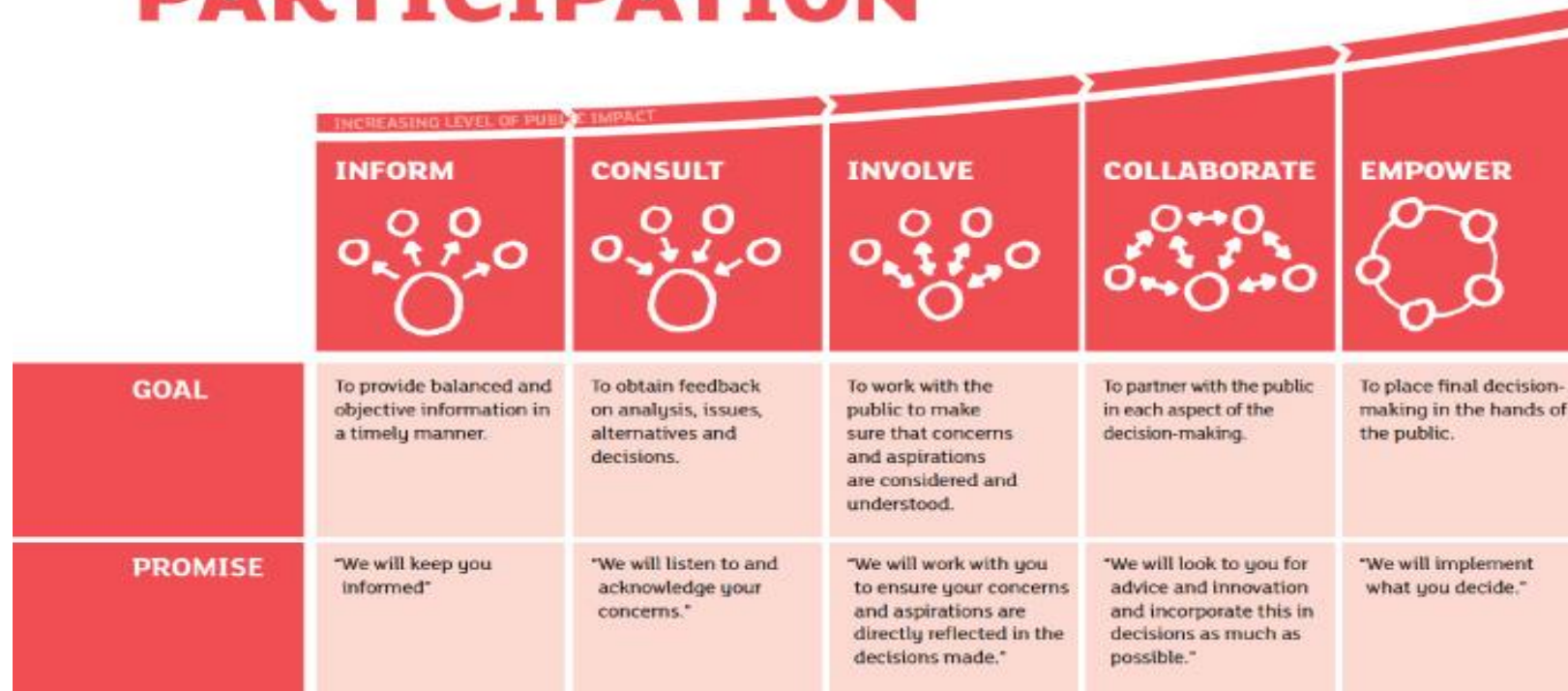
REFLECTIONS ON CONSUMER ENGAGEMENT

22 September 2025

EUAA
Energy Users Association of Australia



IAP2 SPECTRUM OF PUBLIC PARTICIPATION



- Be very clear about what is “in scope” and what is “out of scope”
 - AER building blocks tend to be “out of scope” due to the mechanical nature of the regulatory framework, but the RRRG still need to understand it. Engagement on the AER building blocks tends to fit into the inform/consult section of the IAP2 framework
 - In reality, the RRRG has influence over less than 15% of the revenue proposal. These areas need to be very clear including the degree of flexibility and/or influence the RRRG has. Engagement on these areas tends to fit into the involve/collaborate sections of the IAP2 framework
- Understand the role the RRRG will play:
 - E-Net
 - RRRG
 - Consumer Challenge Panel
 - AER
- AER Better Resets Handbook is a good guide for networks and consumer panels

- Appointment of an independent RRRG chair who runs the sessions, sets agendas, provides minutes* and acts as primary out of session liaison. The chair should also take on primary responsibility for writing a report on behalf of the RRRG (members should be active contributors to the extent they can).
- Conduct “on-boarding” sessions for members new to the process that involves more experienced members and the AER. Consider a buddy or mentoring approach to assist rapid learning and joint understanding.
- Conduct engagement co-design sessions to build joint understanding of the process, scope, areas of influence, consumer preferences.
- The RRRG must develop a very clear set of principles of engagement/ways of working and articulate values/preferred outcomes. i.e. resilience, reliability, cost and acceptable tradeoffs.
- Deep dive on identified areas of interest (i.e. areas of influence) or the require clarification (i.e. building block elements).
- Bring in independent advisors/specialists to provide expert opinion on areas of interest/concern

*Usually in conjunction with the NSP

- There needs to be a very clear understanding of what E-Net wants from the RRRG and what the RRRG is capable of/willing to give.
- It is not the role of RRRG to “endorse” or “approve” the business cases made by E-Net for various projects or sections of the revenue proposal, that is the job of the AER.
- The RRRG should not be asked to make value judgements on the prudence and efficiency of the revenue proposal, that is the job of the AER.
- It is the role of the RRRG to validate that the engagement of E-Net met the stated preferences, values and approach articulated by the RRRG at the start of the process.
- The RRRG can confirm (or not) that they feel the process has been thorough, fair, that E-Net have been open to feedback, have satisfactorily answered RRRG questions and have provided clarification/evidence when asked.
- The RRRG can also identify areas of the revenue proposal that they are uncertain of and request the AER to “shine a light” on areas of concern for RRRG members.

Pulse Check, Meeting Actions, AOB

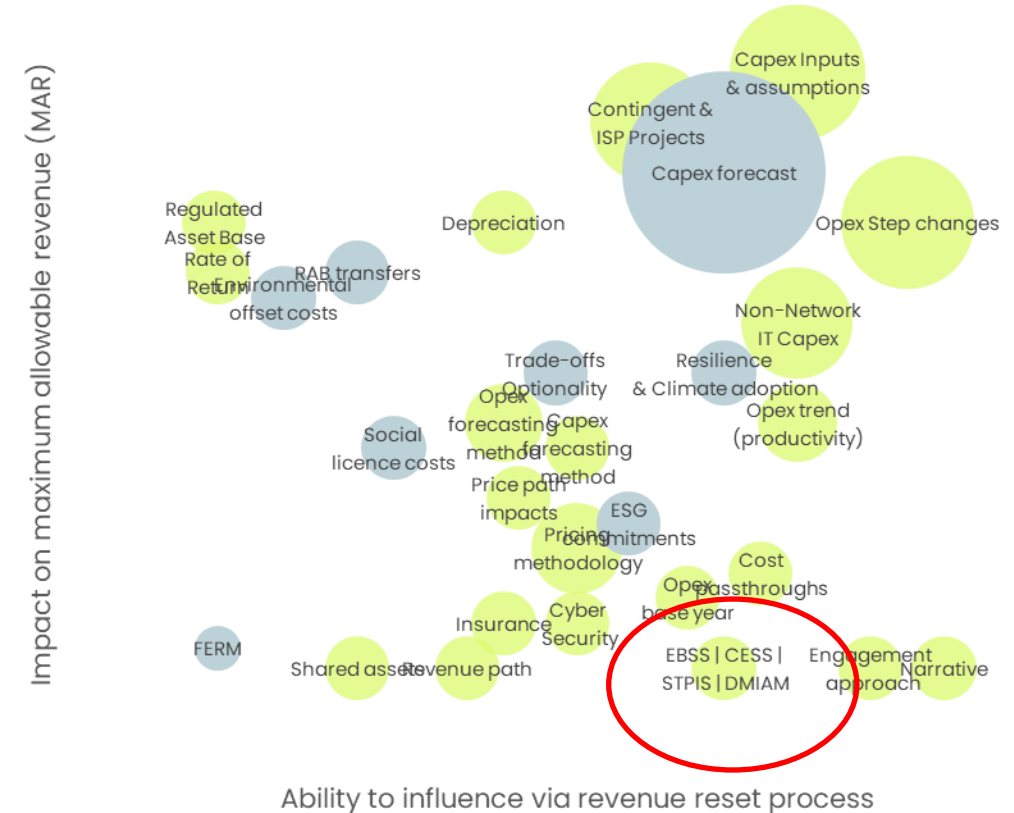
Framework and Approach paper

From the previous F&A paper:

The purpose of the F&A is to **provide ElectraNet and consumers with an indication of our likely position** on matters that ElectraNet is required to address in its upcoming 2023–28 revenue proposal. It provides **a degree of regulatory predictability**.

This F&A paper sets out how we **propose to apply a range of incentive schemes and allowances** and other guidelines to ElectraNet's 2023–28 revenue proposal, as well as our approach to calculating depreciation.

The positions we set out in this paper are not binding on the AER or ElectraNet.



Framework and approach – our thinking

Service Target Performance Incentive Scheme v 6

- Service component
- Modified Network Capability component
- Suspended Market Impact Component

Capital Expenditure Incentives

- The AER has just reviewed the Capital Expenditure Incentive Guideline
 - *Ex post* review is not in two parts
 - Ex ante (BAU) expenditure
 - ISP projects – in our case PEC will be
 - *Ex ante* (BAU) forecast – ‘vanilla’ application of CESS

Demand Management Incentive Allowance Mechanism

- We have not yet spent this – whether to pursue it in future?



Thank You

For more information please contact:

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CAP Site Tour 2025











Thank-you



The End

