Revenue Reset Reference Group

TUESDAY, 27 OCT 2026

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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.

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Agenda, Overview of session and Standing items

Leanne Muffet
Facilitator

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Meeting Agenda

Agenda Item	Detail	Time	Presenter
Standing Items	Acknowledgement of Country, minutes and actions	9.30am – 9.45am	Leanne Muffet - Facilitator
RRRG discussion	Clear Strategic Narrative	9.45am – 10.10am	Jeremy Tustin
Consumer Impacts	Personas presentation	10.10am – 10:35am	Ed Heaton,
Break		10.35am – 10.50am	All
RRRG discussion	Execution Readiness “Deliverability”	10.50am – 11.15pm	Jeremy Tustin
Transparent View Forecast update detail	Replacement, augmentation, security & compliance examples	11.15pm – 11.30pm	Bec Malhotra
Toward Board presentation		11.30 – 12.00	Jeremy Tustin
Members only		12.00 – 12.30	

Executive Summary

Date	27/10/206
Meeting Name:	RRRG Meeting 11
Agenda Item:	
Purpose:	RP engagement
Division:	Various
Presenters:	Various

The below Executive Summary serves as a concise and comprehensive overview of the presentation that follows. The primary purpose of the Executive Summary is to provide the RRRG a quick and clear understanding of the key essential points and findings contained in the full presentation.

1. Introduction:

- This is the eleventh RRRG meeting and one of the final working session before the Revenue Proposal is finalised.
- The purpose is to test ElectraNet's response to the four challenge areas identified by the RRRG and identify any remaining material gaps.

2. Summary of Objectives:

- The emerging narrative – clear strategic narrative (why, why now,)
- Consumer impacts across residential and business personas
- The evidence needed to demonstrate execution readiness
- How engagement has affected the scope, timing, evidence and transparency of the proposal; and
- Matters the RRRG may wish to raise with ElectraNet

3. Key Findings / "So what?" messages:

- RRRG challenge has affected both the proposal and the way ElectraNet explains and evidences it.
- Some expenditure has been removed, reduced, reprofiled or reconsidered, while other expenditure has been retained after further testing.
- Consumer-impact modelling now translates the revenue forecast into different consumer circumstances, but the result is sensitive to the allocation method and demand assumptions.
- Material work remains on the integrated narrative, delivery evidence, final forecast reconciliation and documentation of the influence trail.

4. Recommendations or Conclusions – What we need from the RRRG:

- identify any remaining "must-see" evidence;
- challenge whether ElectraNet has fairly represented the RRRG's influence;
- Identify any material consumer concerns that remain unanswered; and
- advise what should be taken into the November Board discussion.

RRRG Discussion
Clear Strategic Narrative

Jeremy Tustin

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What we heard and how we are responding

The RRRG asked ElectraNet to demonstrate why the investment is needed now, what is means for consumers, whether it can be delivered, and how options and trade-offs have shaped the proposal.
This session shows how ElectraNet has responded, what has changed and what still needs to be completed.

Challenge Area	October status
Strategic narrative	Emerging narrative for challenge today
Consumer impacts	Initial results for methodology and interpretation challenge
Execution readiness	Evidence framework for challenge
Transparent thinking	Ongoing, with examples and decision and trade-offs

How we see our engagement

Current approach and best-practice tests for RRRG discussion

Engagement principle	What we did	Your conclusion?
Transparent	Direct access to subject-matter experts and decision makers, with AER observation and participation.	Members had sufficient opportunity to understand, interrogate and influence proposal (original question 1)
Prudent and efficient	Respect members' time through focused examples. Reuse relevant evidence, including SAPN personas and joint demand forecasting.	Members did not (choose/ need to) examine every individual project. Interrogated thought process and structure/ governance
Early and open	Share developing thinking before decisions are final, as members requested.	RRRG 'saw the sausage being made', as per early preference. This meant less polish but more influence
Inclusive participation		Whose perspectives are missing? Check affected consumer groups and barriers to participation, and adapt the process with participants.
Visible influence		RRRG provided four key focus areas which have been/ are being addressed

Discussion: Where has engagement worked well, and what evidence or gaps remain?

Guidance: AER Better Resets Handbook (2024 update) and IAP2 Core Values. Tests are proposed, not claims of completed practice.

The proposal's emerging golden thread

Why

South Australia's transmission network must continue to provide safe and reliable service while responding to asset condition, system complexity, changing demand and the energy transition.

Why now

Needs arise in 2028-33 because:

- Risk or condition thresholds are forecast to be reached;
- Development and procurement lead times require action before the need crystallises;
- Deferral may result in higher risk, higher future cost or reduced optionality; and
- Some expenditure can be deferred, but only where risk can be managed.

What have we done

- Prioritised the highest-risk work;
- Removed or reduced proposals that were not sufficiently justified (live line works step change, Network ICT innovation program)
- Reprofiled work where a longer delivery path is efficient ($m 10-year asset replacement expenditure prog)
- Tested augmentation timing and triggers;
- Examined cost escalation using market and industry evidence, within the context of the incentive-based framework;
- Considered consumer impacts alongside network requirements

Consumer Impacts Personas

Ed Heaton

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Overview

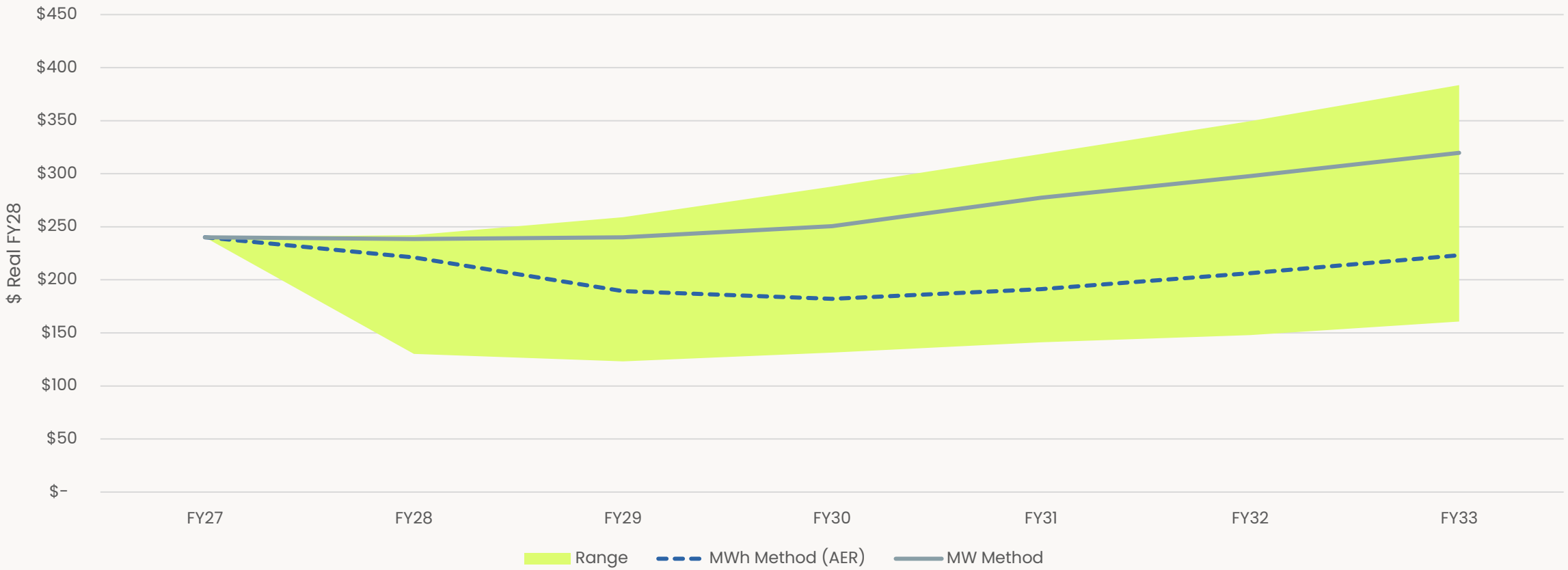
Methodology

- Using a selection of personas from SAPN's last Tariff Structure Statement
- Applying the Default Market Offer blended calculations to their usage to determine current bills
- Escalating bills by expected revenue movements
- Balanced by expected movements in demand

Notes

- Highly sensitive to changes in the denominator
- Presenting two scenarios, MWh and MW based on current forecasts
  - AER methodology uses MWh
  - MW more reflective of the complexities of transmission pricing

Overall* price change range – 4000kWh DMO customer



*Illustrative pricing for demonstration purposes

Persona bill impacts

Residential		$ real FY28		
Persona	Annual usage (kWh)	FY27	MWh (AER) FY33	MW FY33
DMO Customer - Residential	4,000	$240	-$17	$80
Couple without solar	3,960	$238	-$17	$79
Family without solar	8,540	$513	-$36	$170
Family with solar	5,100	$306	-$22	$101
Family with solar, battery and EV	15,520	$932	-$66	$309

Small Business		$ real FY28		
Persona	Annual usage (kWh)	FY27	MWh (AER) FY33	MW FY33
DMO Customer - Small Business	10,000	$600	-$43	$199
Physio	7,684	$496	-$35	$164
Café	19,141	$1,235	-$88	$409
Farm with solar	45,213	$2,917	-$207	$966
School with solar	148,505	$9,581	-$679	$3,173

Break

10 minutes

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Execution Readiness Evidence Needed

Jeremy Tustin

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What gives consumers confidence

- Portfolio sequencing
- Internal capabilities
- Contractor and supply chain capacity
- Governance and controls

What must be delivered

This is a work in progress, validate with RRRG approach and evidence expected.

- Annual program profile
- Major asset categories
- Peak delivery years
- Interaction with outage availability
- Long-lead components (Hummocks/augmentation)
- Dependencies between programs

Transparent view

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Forecast recap

Building on last month's forecast update, the following slides explain the options and trade-offs behind the decisions.

	CURRENT PERIOD	PRELIMINARY REVENUE PROPOSAL	OCTOBER FORECAST
Capital Expenditure ($m real 2028)	$824m	$3.2b	$2.7b
Operating Expenditure ($real 2028)	$745m	$979m	$1,018m
Rate of Return	5.55%-5.92%	Expected 6.48% - 7.35%	Expected 6.48% - 7.35%
Total Revenue ($nominal)	$2.2b	$3.6b	$3.2b
Opening RAB ($nominal)	$3.9b	$4.6b	$4.6b
Closing RAB ($nominal)	$4.3b	$7.6b	$7.2b

Recap of last month:
The forecast update showed lower capex and total revenue that the PRP, with an increase in opex.

Focus for today:
We will step through why we changed or retained expenditure, how we weighed consumer impacts and risk, and where RRRG challenge informed our thinking.



What changed following consumer challenge?

Distinguish RRRG influence from internal review, while showing how the proposal and evidence developed after the PRP.

BEFORE FURTHER CHALLENGE

Five-year delivery assumption

Near-term forecast included the full asset population

Limited visibility of alternative profiles, trade-offs and future-period effects

WHAT WAS TESTED

Condition and risk differentiation

Five-year versus ten-year delivery

Full and partial deferral

Affordability, deliverability and future-period consequences

RESULTING POSITION

Highest-risk ~40% retained in 2028–33

~60% moved to the following period

Residual risk monitored

Expenditure shifted, not presented as avoided

TYPE OF INFLUENCE **RRRG challenge reinforced and sharpened ElectraNet's testing of timing, prioritisation, consumer impact and future-period consequences.**

RRRG CONFIRMATION **Does this accurately reflect the concern raised, the analysis undertaken and how the resulting position differs from the Preliminary Revenue Proposal?**

Replacement programs: balancing near-term affordability and asset risk

1

Identified need

Twelve unit-asset replacement programs contained assets with different condition and risk profiles.

2

Consumer challenge

Consumers challenged the size of the capex uplift, timing, prioritisation, consequences of deferral and future-period impacts.

3

Options tested

Five-year program; full deferral; or staged ten-year program with highest-risk assets first.

OPTION	NEAR-TERM COST	RISK REDUCTION	FUTURE COST	FLEXIBILITY	ASSESSMENT
Five-year program	Highest	Earlier	Lowest	Lower	Addresses risk sooner; highest near-term consumer cost
Full deferral	Lowest	Limited	Highest / concentrated	Highest initially	Retains greater condition and service risk
Ten-year staged program	**Lower**	**Highest-risk first**	**Shifted, not avoided**	**Retained through monitoring**	**Preferred balance, subject to evidence**

DECISION CRITERION • minimise whole-of-life consumer cost while maintaining acceptable asset and service risk, not simply minimise 2028–33 expenditure

Augmentation: matching expenditure to need, timing and certainty

Further review has reduced consumers' upfront exposure while preserving the ability to respond when growth triggers are met.

1

TEST THE TRIGGER

Re-examined the identified need, forecast trigger date, demand and connection assumptions, and whether the project is sufficiently certain for ex-ante funding.

2

MATCH THE TREATMENT

$1.bn moved from the approximately $4.0bn bottom-up ex-ante forecast to contingent-project treatment, so recovery depends on defined triggers.

3

ALIGN WITH DELIVERY

Eight projects complete after 2033. About $220m, or 61% of $350m, moved to the next period; approximately $140m remains for efficient early works.

DECISION • use contingent treatment where timing remains uncertain • retain efficient pre-2033 expenditure for projects completed early next period

CONSUMER OUTCOME

Lower ex-ante exposure to projects that may not be required in the period, without removing the ability to act when the trigger is met.

GROWTH AND DEMAND EVIDENCE

Show connection-point forecasts, AEMO forecasts, committed loads, probability-weighted large loads and project-specific trigger confidence.

WHAT MUST BE VISIBLE

Current-period enabling spend; amount beyond 2033; full cost; trigger; consequence of delay; and risk if growth occurs earlier.

RRRG TEST **Does the revised approach appropriately balance the risk of consumers funding investment too early against the risk that capacity is unavailable when growth occurs?**

What changed following consumer challenge?

How review of project triggers, uncertainty and future-period consequences changed the augmentation forecast.

BEFORE FURTHER CHALLENGE

PRP augmentation forecast

Project need dates and demand assumptions required further testing

Review needed to distinguish expenditure for this period from later needs and uncertain projects

WHAT WAS TESTED

Project-specific triggers and confidence in the need date

TAPR assumptions reconciled with AEMO / ESOO forecasts, SAPN connection-point triggers and ENet large industrial loads

Uncertainty, deliverability and future-period consequences

RESULTING POSITION

Eight augmentation projects (~$440m) phased to need in the early next reset period

Projects with uncertain triggers reclassified as contingent

Deliverability remains a further consideration for contingent classification

TYPE OF INFLUENCE **Changes concern timing and contingent treatment. Confirm how RRRG challenge contributed, separately from ElectraNet's internal review.**

RRRG CONFIRMATION **Does this reflect the concerns raised and the revised timing and treatment? What evidence is still needed on triggers, uncertainty or future-period impacts?**

3. Security and compliance: capability must keep pace with system complexity

Security expenditure is being tested against specific limitations, performance evidence and consequences, rather than technology change alone.

1 OBSERVABLE GAP

Evidence being reviewed includes:

- protection and scheme interactions
- WAMS licence, support-life and coverage limits
- new generator, battery and load interfaces
- protection behaviour under credible and non-credible events
- topology or maintenance constraints
- reconciled STPIS performance evidence

2 CONSUMER CONSEQUENCE

If protection or a scheme does not operate as intended, potential outcomes include:

- failure to clear a fault correctly
- unnecessary equipment disconnection
- loss of generation or customer load
- cascading or widespread outage
- market disruption and emergency response cost
- STPIS exposure, where applicable

3 WHY ACTION MAY BE NEEDED NOW

Timing is being tested against:

- system licence or support limits
- forecast connections and scheme interfaces
- observable protection performance
- AEMO, NER or interstate requirements
- long study, design, testing and commissioning lead times
- consequence of waiting for a major event

CONSUMER QUESTION • Is current capability adequate, and what is the minimum response required to protect consumers during 2028–33?

WORK IN PROGRESS

ElectraNet is completing project economic assessments and working with Bower Insights to strengthen the link between the capability gap, consequence of inaction, options and minimum efficient scope. Protection-performance and STPIS evidence remains subject to validation.

RRRG TEST

Is each proposed investment anchored to an observable gap, a credible consumer consequence and a clear reason for action during the period?

The decision is how much capability consumers should fund, and when

For compliance-driven needs, the relevant test is the least-cost option that meets the obligation. For other needs, the assessment should identify the option that best balances cost, risk and consumer outcomes.

	RETAIN & MONITOR	TARGETED INTERVENTION	BROADER UPLIFT
Response	Retain current arrangements; targeted maintenance, studies and monitoring	Address a demonstrated gap, high-consequence location or required scheme interface	Expand coverage, automation, redundancy or analytical capability
Examples	Current WAMS coverage; current protection; inspections or operating controls	Additional PMUs; defined RAS change; settings change; targeted reconfiguration	Wider WAMS visibility; expanded RAS integration; advanced functions; broader program
Consumer benefit	Avoids premature expenditure	Targets the clearest risk or capability gap	Broader capability; may reduce later retrofit
Consumer trade-off	Capability limitation or high-consequence exposure remains	Scope may be too narrow or require later expansion	Consumers may fund capability before need or design is sufficiently certain
Decision test	Is the current arrangement adequate?	What minimum change closes the demonstrated gap?	Is broader capability justified during 2028–33?

COMPLIANCE NEED • select the least-cost option that meets the obligation, including efficient staging where the timing and scope permit

OTHER SECURITY / RELIABILITY NEED • select the option that provides the best supported balance of whole-of-life cost, risk reduction and optionality

Real cost escalation: from placeholder to targeted mechanism

The approach has moved from signalling the issue in the Preliminary Revenue Proposal to defining application, evidence and consumer protection.

01 PRP PLACEHOLDER

25% | ~$800m

Applied across the full bottom-up proposal before the expenditure ceiling. Intended to elevate a material forecasting issue, not as the final methodology.

02 TARGETED APPLICATION

Materials exposure only

Narrowed to relevant transmission categories and materials exposure, with checks against other indices to ensure we're not double counting.

03 TRANSPARENT EVIDENCE

Public index

Develop a reproducible index supported by procurement, unit-price and equipment-market evidence, with assumptions and sensitivities visible.

04 CONSUMER SAFEGUARD

One-way adjustment

If indexed escalation is below forecast, return the difference to consumers. If escalation is higher, ElectraNet retains the downside exposure.

DECISION LOGIC • forecast efficient outturn cost using defensible evidence • apply escalation only where exposure exists • preserve incentives • prevent windfall gains

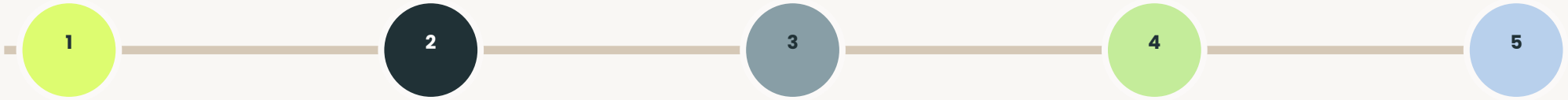
Towards your Board presentation

Jeremy Tustin

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ENGAGEMENT JOURNEY

The journey so far



1 ESTABLISH	2 PLAN	3 UNDERSTAND	4 CHALLENGE	5 CLOSE THE LOOP
RRRG established Terms of Reference CAP / RRRG roles Letters to AER calling for CCP	Engagement plan Spheres of influence / Bubble diagram Feedback mechanisms	Reset 101 Pricing and revenue Scoping and estimating Current-period performance Business Narrative	Capex and opex Unit costs & real cost escalation Prioritisation and deferral Consumer impacts Preliminary Revenue Proposal	Proposal changes Board discussion RRRG / CAP report Unresolved concerns
COMPLETED	COMPLETED	COMPLETED	ONGOING	NEXT

Challenge for the record

For each stage, link the activity to evidence: meeting, material provided, question raised, response, change and current status.

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What did we set out to do?

Minimum acceptable

- the RRRG is satisfied with the engagement process and that they have been given everything required to be so.

OR

- ElectraNet's Revenue Proposal was developed through genuine engagement with the CAP, through its RRRG, on behalf of South Australian electricity consumers."

Minutes

- .. minimum acceptable in the sense that ElectraNet will not have achieved its own goal if the RRRG is not prepared to recommend that the CAP make these statements. The decision to make them or not remains for the RRRG/ CAP to make.

Stretch goal

- the RRRG considers the proposal capable of acceptance

Your feedback

- RRRG/ CAP should not be asked to say 'capable of acceptance' – that is for the AER to decide

Revised objective

Following feedback, we amended the ToR and objective to reflect NER 6A.6.7.5A(5) (capex) and 6A.6.6(e)5A (Opex) directly

Hence we now ask the RRRG to comment on

‘the extent to which the capital [or operating] expenditure forecast includes expenditure to address the concerns of electricity consumers as identified by the Transmission Network Service Provider in the course of its engagement with electricity consumers’

PURPOSE

The question this section should help the RRRG answer

To what extent have consumer perspectives influenced the development of the proposal, and do the expenditure forecasts respond to the concerns identified through engagement?

1 Engagement

Was information shared early enough?
Were options and constraints visible?
Were actions and questions closed out?
Could members challenge decisions while still open?

2 Influence

What changed in scope, timing or treatment?
What evidence or transparency improved?
Where did feedback reinforce an internal decision?
Where was feedback not adopted, and why?

3 Outcomes

What changed for near-term consumers?
What moved to future consumers?
What risk or service outcome was preserved?
What uncertainty or residual concern remains?

AER Better Resets Handbook

**The AER expects high-quality, consumer-centric proposals to be developed through genuine consumer engagement.
Our consumer outcomes report should therefore show how we engaged and how consumer perspectives informed the proposal and its supporting evidence.
It should be a clear, honest and traceable account of influence, decisions and remaining differences.**

The RRRG identified four areas requiring further development

The RRRG identified four gaps, and these have guided ElectraNet's response since the preliminary revenue proposal.

STRATEGIC NARRATIVE

Why is action required?
Why now?
What happens if action is deferred?
Why is this the efficient response?

CONSUMER IMPACT & AFFORDABILITY

What are consumers being asked to pay?
Which consumer groups are affected?
What moves to future consumers?

DELIVERABILITY

Can the program be sequenced and delivered?
Are capacity, supply-chain and controls credible?
What is the downside plan?

DECISION LOGIC

What options were considered?
What trade-offs were made?
What evidence supports retained expenditure?
What remains uncertain?

RRRG role **Provide robust consumer challenge and an independent assessment. The role is not to approve individual projects, replace AER scrutiny or assume management accountability.**

Recommended discussion prompt **Are these the right tests, and is any important consumer lens missing?**

Where engagement affected the proposal, evidence or transparency

Where RRRG questioning played a part in our proposal

Consumer concern / topic	What was tested	Response in proposal development	Type of influence	Evidence to show
Top-down forecast in PRP	Affordability lens to address consumer concerns	Imposed top-down forecast in PRP	Forecast / scope	$3.2b cap
12 unit-asset replacement programs	Challenge on prioritisation, timing and affordability	**Reprofiled over ten years**; highest-risk assets addressed first	Timing / risk	40% / 60% profile
Augmentation timing	Need date and trigger required further testing	Relevant **expenditure delayed** to a later period	Timing / treatment	$1b contingent $440m deferred
Real cost escalation	Price increases required objective evidence	Considerations for incentive-based framework, asymmetric risk/benefit for consumers	Evidence	Independent analysis
Consumer bill impacts	Affordability implications needed to be visible	Residential and small-business personas; MWh primary case and MW sensitivity	Transparency	FY28–FY33 outputs
Live-line works step change	Step changes required a clearly identifiable need	**Removed** from the proposed opex step change	Forecast / scope	$29m impact
General innovation program	Need and benefits needed to be specific and testable	**discontinued**	Forecast / scope	$10m impact
Riverland TF replacement optioneering	Future growth and avoiding future augmentation costs	**Consider future growth** in TF replacement options	Optioneering	To confirm
Leigh Creek SAPS	Relative cost of SAPS and a transmission line, local community impacts/ concerns	**Non network option** (SAPS) much cheaper than a transmission line	Cost comparison	$330m placeholder in contingent

Causation label required for every row

Directly influenced | Reinforced an emerging decision | Internal decision tested with RRRG | Evidence / transparency response only

How we see our engagement

Current approach and best-practice tests for RRRG discussion

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Members only

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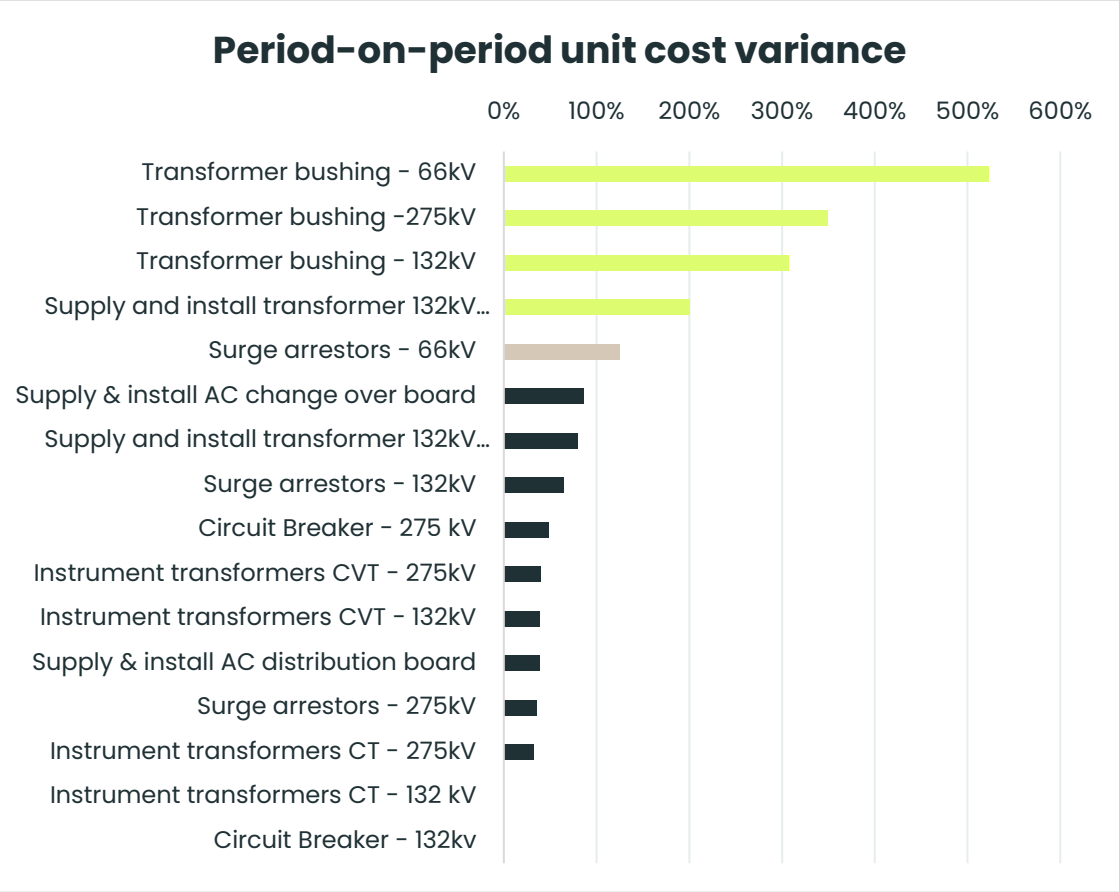
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Close out questions

RRRG

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Evidence for RRRG
Capex uplift - unit cost increases RRRG request



- Earlier this year, we presented FRED industry data showing rising transmission equipment unit costs. This provided an early indication that transmission material prices were increasing faster than CPI.
- In response to your request for ElectraNet-specific evidence, we have provided the pricing data used in our estimates. Our catalogue is limited, but the available data shows increases of 33% to 523% between periods for selected assets.
- Like-for-like comparisons are unavailable for some assets. We purchased three transformers last period, but this period's replacements have different specifications, such as 132kV 60MVA versus 132kV 25MVA. Rennie presented industry data to provide broader context.
- A reported 0% movement reflects missing current pricing data, rather than confirmed price stability.