

7 October 2016

Mr Adam Wilson
Chief Executive Officer
Essential Services Commission of South Australia
GPO 2605
Adelaide SA 5001

By email: escosa@escosa.sa.gov.au

Dear Adam,

Essential Services Commission of South Australia 2017-20 Strategic Directions

Thank you for the opportunity to provide input into the Commission's Strategic Directions for the upcoming three-year period from July 2017 to June 2020. We commend and support the Commission engaging with its stakeholders to help shape the Commission's future directions.

Emerging trends in the electricity industry

SA Power Networks continues to respond to significant challenges and opportunities in the electricity industry and the changing preferences of electricity customers. We are now seeing, for example, the emergence of new distributed energy resource technologies such as battery storage, electric vehicles and customer energy management systems allowing customers to have more real time information and control over their electricity use.

As distributed energy resources become more affordable for individual customers and small communities, proponents are exploring a range of alternatives to conventional grid supply. Customers will weigh up the merits of going off-grid with stand-alone power systems – and whether switching between off-grid and on-grid supply is viable (and permissible).

The State and national electricity regulatory frameworks are also being challenged by these rapid changes. SA Power Networks notes that the Council of Australian Governments Energy Council and bodies such as the Australian Energy Market Commission are currently considering some of these developments. The Commission, too, through its August 2016 "Inquiry into regulatory arrangements for small scale water, sewerage and energy services", is also considering some aspects of these matters.

The Commission's strategic influences and goals

We therefore note and agree with the four broad themes that the Commission has identified as currently having strategic influence on its regulation of services, namely:

- Changing community expectations and views on standards of service;
- Evolving market and industry structures and the impact of new and disruptive technologies;
- The South Australian economic climate and trends; and

- National and global developments in the thinking and application of economic regulation.

These themes are broadly consistent with the challenges and opportunities we are experiencing.

We also support the four goals detailed in the Commission's 2016-2019 Strategic Plan:

1. Establishing consumer protection frameworks to promote service levels valued by consumers at an efficient cost;
2. Keeping regulated businesses accountable through monitoring and reporting on service standards and regulatory requirements;
3. Engaging genuinely with stakeholders to achieve the best possible decisions and build understanding of economic and regulatory issues; and
4. Adding value to South Australia by delivering impartial, credible and robust regulatory and economic advice.

As national bodies consider changes to regulatory frameworks to better accommodate the rapidly changing preferences and needs of customers, the Commission should ensure that arrangements at the State level are consistent with, complement, and do not duplicate, national requirements.

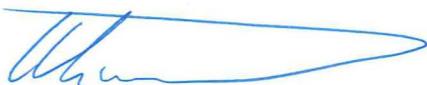
SA Power Networks' 2020-25 service levels and 2017 consumer engagement

In a number of ways, we consider the above themes and goals intersect with SA Power Networks' next revenue determination process. In this context, the Commission's Service Standard Framework is an integral component of the regulatory 'bargain' between customers and SA Power Networks, aligned with our revenue allowances which will be set for the 2020-25 period by the Australian Energy Regulator (AER).

Our regulatory proposal for 2020-25 must be lodged with the AER by January 2019. To assist in the development of our plans and proposed expenditures which underpin this proposal, we will commence our consumer engagement process in 2017. Discussing appropriate service levels will most likely be a key feature of this engagement. We intend to invite the Commission to participate in our community and customer engagement workshops to promote a shared understanding of what customers want and value from SA Power Networks. This will assist us and the Commission to develop appropriate service measures and standards to deliver better service outcomes for our customers in the 2020-25 regulatory control period.

As a first step to designing our next engagement process, we would appreciate the opportunity to discuss early thoughts on our consumer engagement methodology with the Commission in the coming weeks. To that end, I will be in contact with your office to arrange a mutually convenient time.

Yours sincerely



Wayne Lissner
Acting General Manager Corporate Strategy

