

ElectraNet Revenue Proposal 2022

AER Stakeholder Forum

19 October 2022

Acknowledgement of Country

We acknowledge the Traditional Owners of the land on which we meet and pay our respects to their Elders past and present. We extend that respect to other Aboriginal and Torres Strait Islander people who are present today.

Our Key Priorities

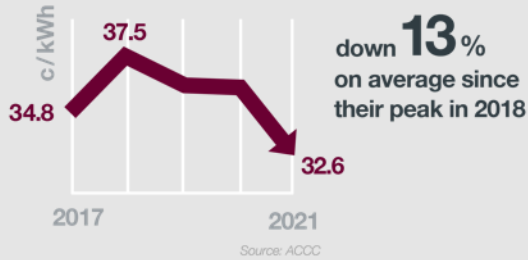
- ElectraNet's vision and ambition is to enable the transition to a low carbon economy while meeting the evolving needs of our customers
- South Australia remains at the forefront of the global energy transformation leading to new challenges and a greater role for transmission
- Our planning and operations are guided by:
 - Safety of people
 - Protect the environment
 - Affordability and reliability
 - Power system security and resilience
- Key priorities for coming regulatory period:
 - Ongoing focus on managing ageing network
 - Targeted investments in technology and security
 - Maintaining and operating an increasingly complex network amid external cost pressures



South Australia's transforming power system

Retail power prices

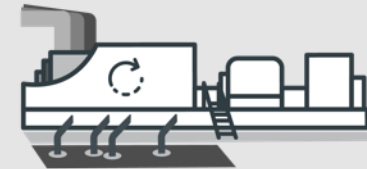
have decreased over the past 5 years



First AEMO Integrated System Plan
June 2018



ElectraNet Dalrymple battery is first grid forming battery in Australia



ElectraNet synchronous condensers begin operation

2021

2020

2019

2018

2017

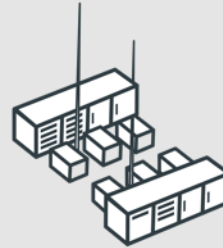
2016



Coal fired generation ceased
May 2016



Statewide blackout
September 2016



World's largest battery Hornsdale Power



Connection of first grid scale solar plant at Bungala



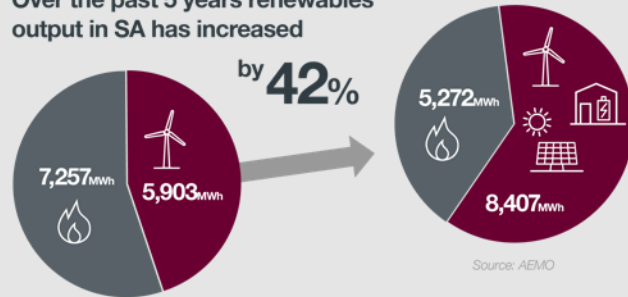
Negative system demand reached
November 2021



Regulatory approval for new interconnector to NSW Project EnergyConnect
June 2021

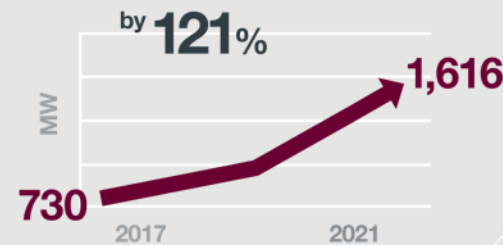
Renewables are replacing gas

Over the past 5 years renewables output in SA has increased



A grid in transition

Rooftop PV installation has increased over the past 5 years



Minimum grid demand has decreased over the past 5 years



Expenditure Overview

Capital Expenditure

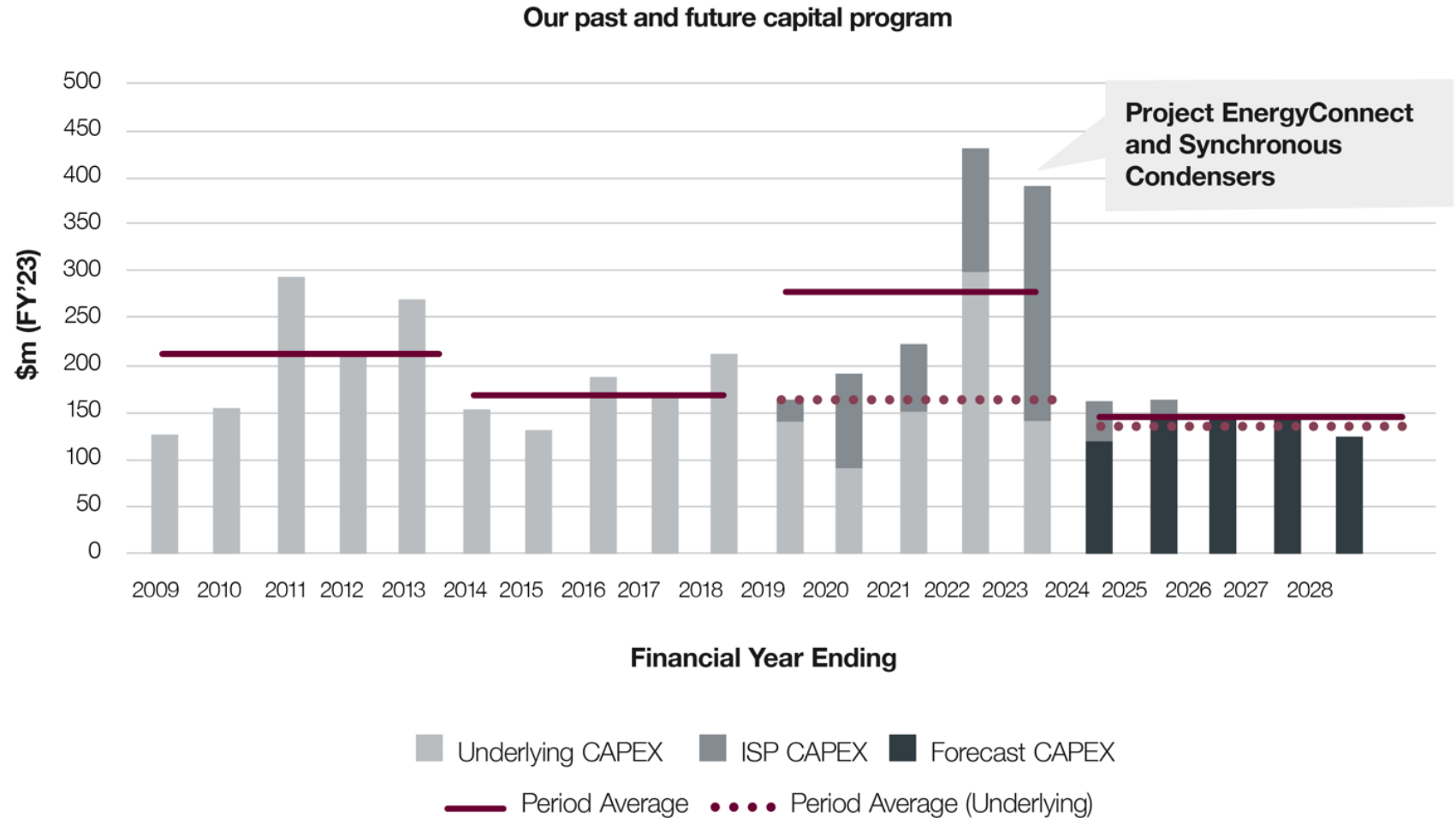
- Major transformation projects are being delivered in the current regulatory period
 - Capital program is focused on replacement and targeted security and technology needs
- Now returning to a smaller capital program
 - Lower than spend levels over the last 15 years
 - Focus on optimal utilisation of existing assets and replacing ageing assets only when needed

Operating Expenditure

- External factors are driving up operating costs
 - Tightening market → increased insurance costs
 - Threats → increased cyber security requirements
 - Increasing network complexity and obligations → additional specialist resources
- Underlying opex is falling through reduced network support, part offset by network growth
- Transfer of \$46m intangible asset expenditure from capex to opex required under accounting standards

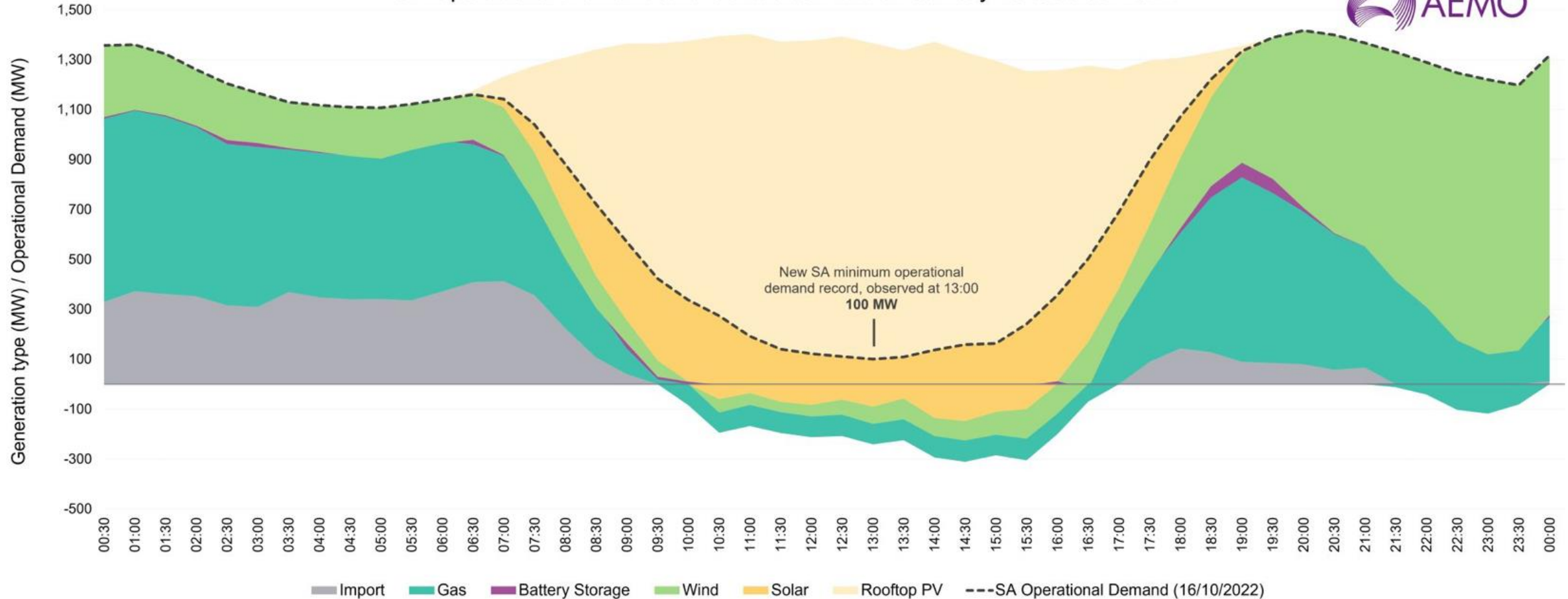
Capital Expenditure Outlook

- The capital expenditure program is the smallest in 20 years
 - 37% below the average of the preceding 3 periods
- ISP investments are now largely complete
- The capital program is focused largely on:
 - replacement
 - refurbishment
 - security/ compliance



Growing Complexity

SA Operational Demand and Generation Mix on Sunday 16 October 2022



The rapidly changing power system continues to drive new challenges and capability requirements

What has changed?

| Revenue Proposal (Jan 2022) | Revised Revenue Proposal (Dec 2022) |
|---|--|
| <p>Inflation</p> <ul style="list-style-type: none"> Forecast averaging about 2.5% in FY23 & FY24 Longer term outlook – <i>expect underlying inflation to pick up further, but to do so only gradually (RBA)</i> | <p>Inflation</p> <ul style="list-style-type: none"> Now at 6-7% in FY23 (actual) and FY24 (forecast) Longer term outlook – <i>inflation will pick up further in the period ahead (RBA)</i> |
| <p>Interest rates</p> <ul style="list-style-type: none"> RBA chair indicating no rate rise during 2024 RBA cash rate sitting at 0.10% | <p>Interest rates</p> <ul style="list-style-type: none"> 6 rate rises to date RBA cash rate now 2.60% |
| Cyber security legislation in Parliament | Cyber security legislation passed, Rules to follow |
| Global insurance markets tight, driving up costs | Global insurance markets tighten further |
| <p>Energy market in transition</p> <ul style="list-style-type: none"> AEMO foreshadows need to manage 100% instantaneous renewables | <p>Transition accelerates</p> <p>Changes in State and Federal Government, <i>Rewiring The Nation</i>, 43% target by 2030</p> |
| ElectraNet contracting inertia services for FY23 | ElectraNet to recruit inertia for FY24 & FY25 |

Thank You







Rainer Korte – Chief Operating Officer

Simon Appleby – Manager Regulation and Investment Planning

Jeremy Tustin – Regulated Investment Planning Manager

How ElectraNet is contributing to the energy transition

Legend

-  Existing 132 kV
-  Existing 275 kV
-  Substation
-  Potential Renewable Energy Zone
-  Synchronous Condenser
-  Battery Power Reserve



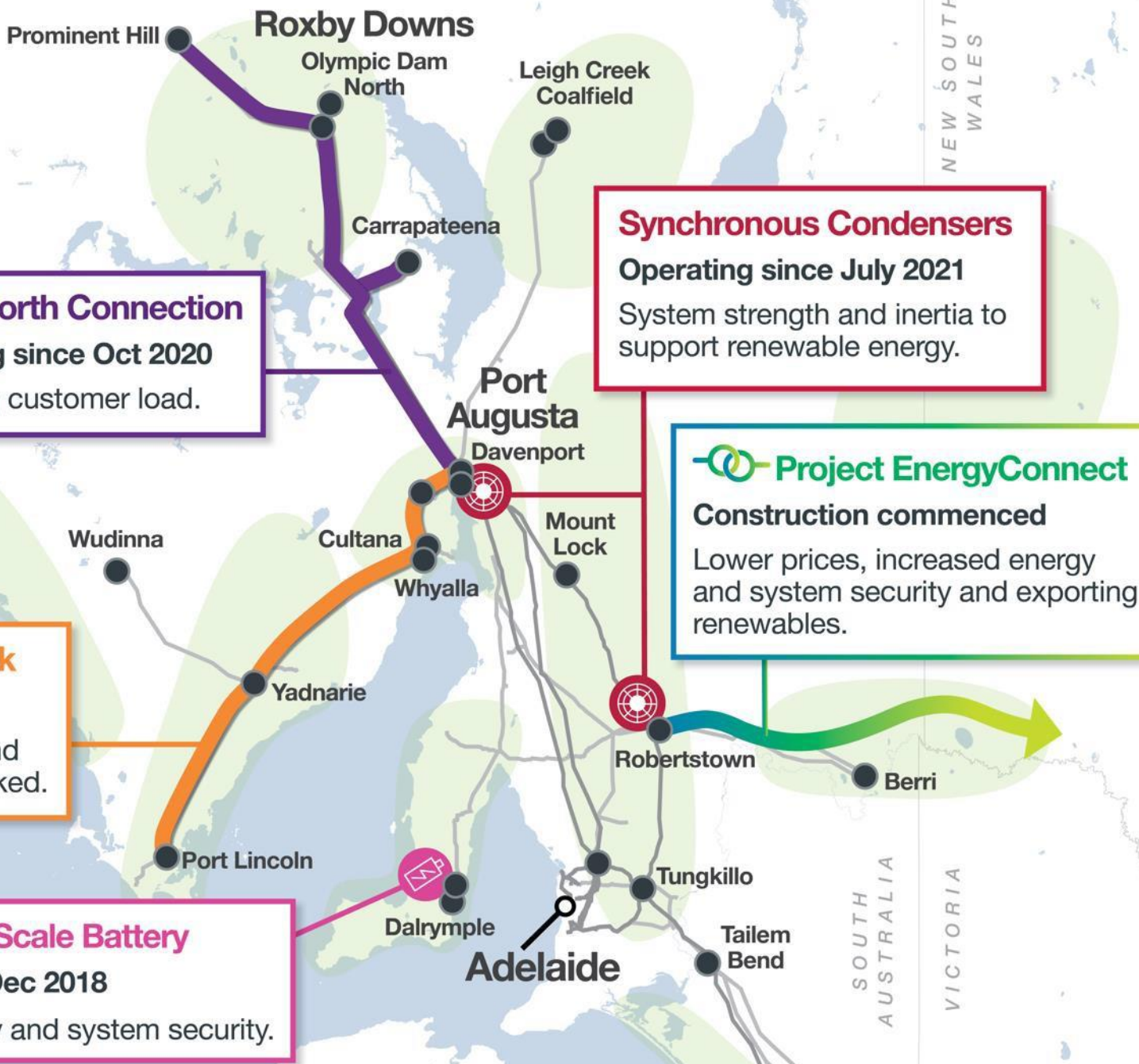
Upper North Connection
 Operating since Oct 2020
 Supplying customer load.

Synchronous Condensers
 Operating since July 2021
 System strength and inertia to support renewable energy.

Project EnergyConnect
 Construction commenced
 Lower prices, increased energy and system security and exporting renewables.

Eyre Peninsula Link
 Under construction
 Improved reliability and growth options unlocked.

Dalrymple Grid-Scale Battery
 Operating since Dec 2018
 Improved reliability and system security.



NEW SOUTH WALES

SOUTH AUSTRALIA
 VICTORIA