

# INDICATIVE OPERATING EXPENDITURE PROGRAM

## We're proposing to achieve a 10% reduction in costs to operate and maintain the network.

Our role is to manage and operate South Australia's transmission network as cost effectively as possible, to support the safe, reliable and secure supply of electricity.

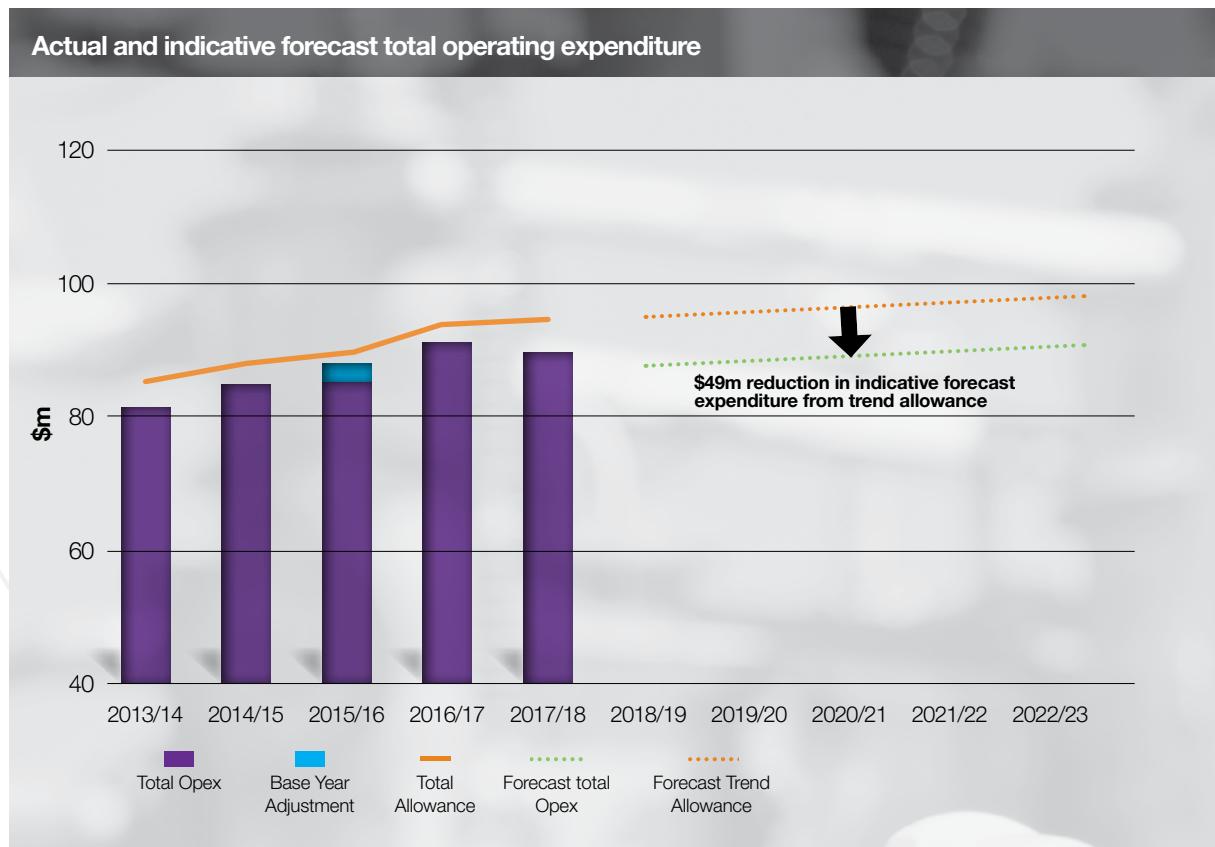
We are working hard to drive efficiencies and reduce our operating costs.

Overall, cost savings of 10% or \$49m are built into our indicative total operating expenditure forecast relative to the trend allowance,<sup>1</sup> as shown below.

This equates to ongoing projected savings of around \$10m per annum which are anticipated to be passed through to customers. We need to continue to work hard to achieve these savings, particularly given the increasing maintenance cost pressures of an ageing network.

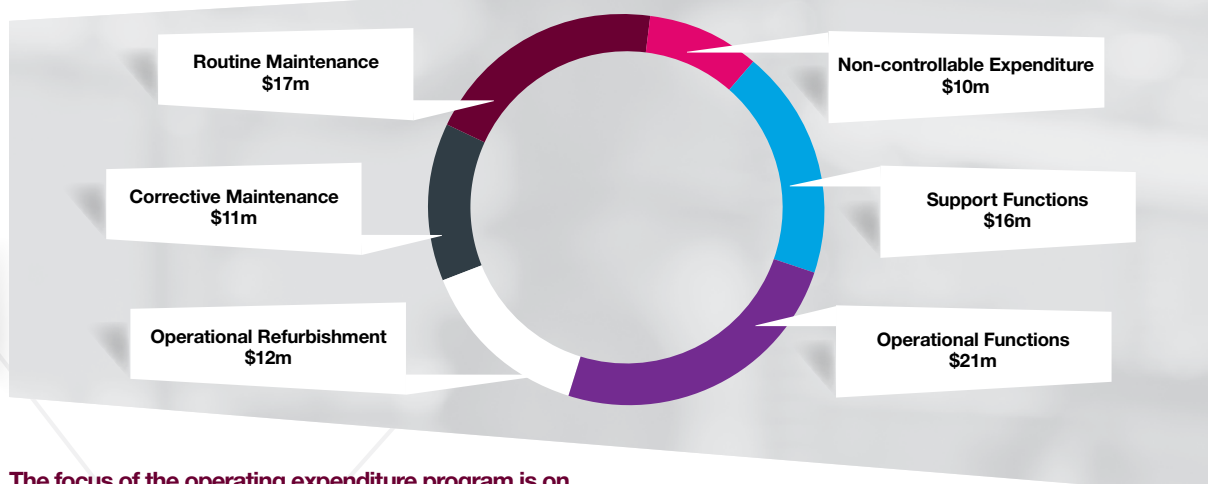
These savings include both efficiencies achieved to date, and ongoing efficiencies.

1. Trend allowance refers to the projected expenditure allowance from the current period.



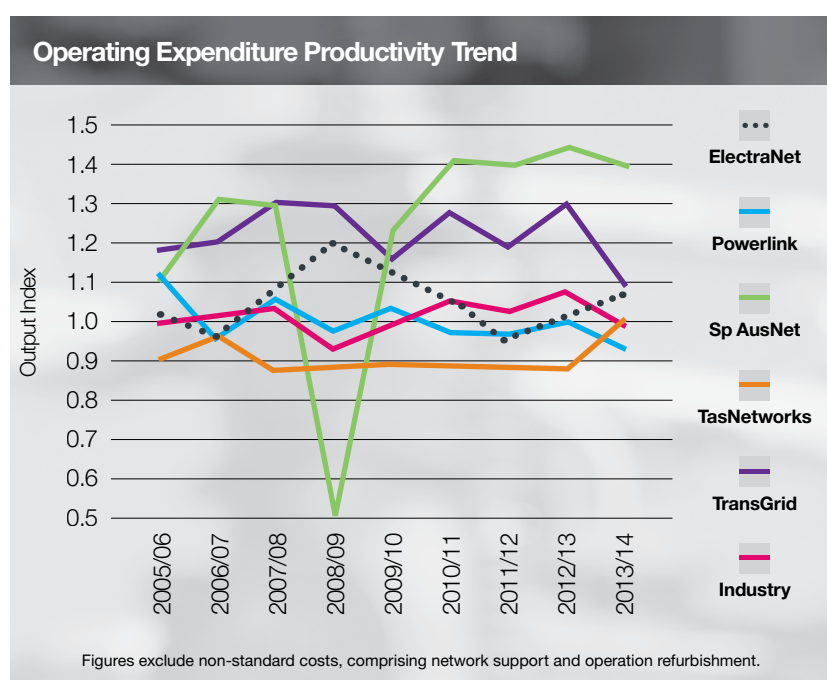
ElectraNet has used reasonable endeavours to ensure that the information contained in this information sheet is accurate at the time of writing. It must be noted however that this information contains estimates and projected information calculated based on information and factors that may change including but not limited to key assumptions underpinning the forecasted expenditure. ElectraNet and its officers give no warranties and accept no liability for any loss or damage incurred in reliance on this information. This information sheet is intended to be used to seek feedback from customers and stakeholders and must be read in conjunction with the full Preliminary Revenue Proposal (PRP) document. The PRP is not an early submission of ElectraNet's formal revenue proposal to the Australian Energy Regulator.

## Indicative Annual Operating Expenditure Program during 2019-2023



The focus of the operating expenditure program is on maintenance and the supporting functions needed to efficiently run the network. These programs are described further below.

PROGRAM	DESCRIPTION
<b>Routine Maintenance</b>	Field inspections and maintenance activities completed to predetermined schedules and scopes
<b>Corrective maintenance</b>	Field activities to mitigate short term risks, restoring a transmission system asset or component to a satisfactory operational state
<b>Operational refurbishment</b>	Planned activities to mitigate risks identified in asset condition assessments, and manage compliance with legal obligations and good industry practice
<b>Operational functions</b>	Maintenance support activities to ensure the efficient delivery of the maintenance program, and network operations activities including Control Centre
<b>Support functions</b>	IT support, asset strategy, network planning and corporate support activities
<b>Non-controllable expenditure</b>	Network support payments Debt raising costs Self-insurance allowance



In addition to the new challenges from the changing generation mix in South Australia, the transmission network faces a number of higher cost factors compared with other networks in the NEM. These include the most peaky electricity demand (higher unit costs), a thinly spread population (more infrastructure required to serve), the smallest transmission-only network (lower economies of scale) and among the oldest assets (higher maintenance costs).

Despite this, ElectraNet compares well with its peers in operating cost performance.

All figures are in real terms (excluding inflation) \$2017-2018 and relate to financial years.