

Regulatory Support for Utilities

Background

DGA Consulting have worked in the power and gas sectors for many years and understand the complex regulatory framework in which the businesses operate. Our consultants have experience in assisting on regulatory responses for network businesses with our work breaking down into 3 main areas:

- Expert Inputs on Submissions
- Business Case Assessments
- Review of Regulatory Submissions

An overview of these activities is provided below. Our work includes supporting documentation for initial submissions to the AER as well as response documents to resolve challenges that the AER may have raised in their draft response. We have been successful in assisting our clients in securing significant increased funding between the draft and final determination.

Overview of our Approach

DGA Consulting work closely with network businesses to ensure we understand the scope of any projects and can accurately identify the costs and benefits associated with the project. This typically involves workshops with different stakeholders that will be impacted by a solution to gain support for any quantified impact on the business.

Many of the solutions we review have customer benefits as well as network benefits. These need to be drawn out to justify why an investment should be included in the determination for the next regulatory period. As an example, a recent regulatory response for SA Power Networks focused on breaking down the costs and benefits to customers and the utility to demonstrate that without AER Support the project would not proceed. (SA Power Networks – Public Response 2015)

Project	NPV Societal Cost Benefits	PV SAPN Costs	PV SAPN Benefits (excludes Unserved Energy)	PV Customer (Generator) Benefits
ZSS SCADA Expansion	\$4.5m	\$11.4m	\$6.3m	\$9.6m
ADMS Expansion Projects	\$6.4m	\$2.2m	\$0m	\$8.6m

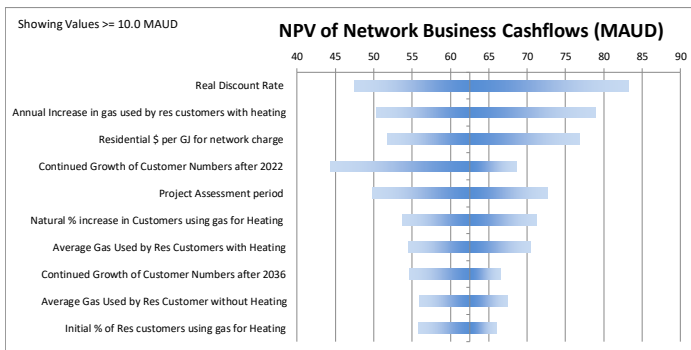
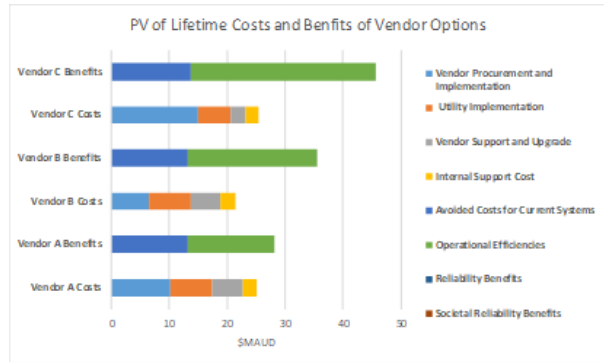
Figure 1 Breakdown of how Costs and Benefits Build up for Regulatory Response (SA Power Networks – Public Response)

Expert Inputs

DGA Consultants are recognised as leading experts in Operational Technology (OT) with a comprehensive knowledge of the solutions being applied in different utilities. Given this knowledge we have been requested by utilities to confirm that their planned OT policies and solutions are in line with industry standards and represent best practice. This assists in justifying the need for investment in new/replacement solutions and providing defensible evidence that can be assessed by the regulator on the need for a particular solution.

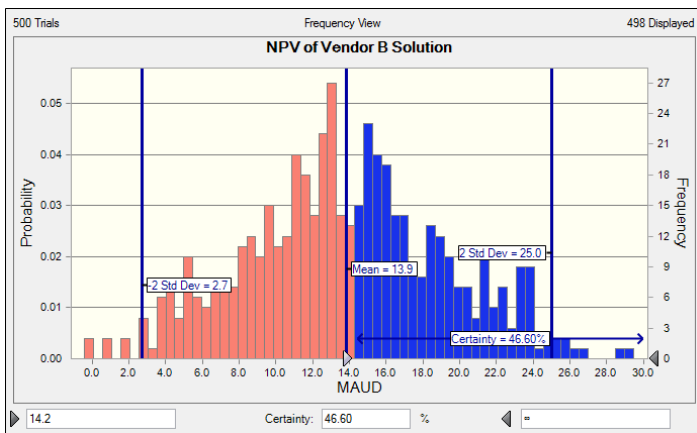
Business Case Assessments

Increasingly the Australian Energy Regulator relies on a business case showing positive net market benefits for investments requested by a utility. To align with these expectations DGA Consulting work with utilities to demonstrate the societal benefits that can be derived from their investments. These business cases are highly transparent and demonstrate how the costs and benefits of any potential projects build up, the stakeholders that benefit and the key variables that could impact on a positive business case. An example of the types of output are shown opposite.



The aim of the analysis is to demonstrate to the regulator how consumers will ultimately gain from any investments justifying its inclusion in the Regulated Asset Base.

To help with demonstrating these benefits, DGA Consulting typically undertake sensitivity and monte-carlo analysis to reflect the uncertainty associated with key parameters in the model. This allows us to demonstrate the probability of the solution having positive net market benefits and any key parameters that could impact the business case. An example is shown in the charts opposite.



Review of submissions

DGA Consultants have been asked to review planned submissions to the AER covering IT and OT and includes providing feedback on:

- Alignment of justification with regulatory requirements
- Review of costs and benefits for the projects
- Strengthening of justification for the projects
- Any inconsistencies between planned projects

This could involve several iterations to end up with a stronger and consistent set of business cases to provide product justification according to the AER rules.