



Tonya Stevens
SA Power Networks
1 Anzac Highway
Keswick SA 5035

Our ref KPMG Letter of Observation

14 December 2018

Dear Tonya,

KPMG Letter of Observation

This letter provides a formal summary of KPMG's involvement in the assessment of SA Power Networks' approach to stakeholder engagement in the 2020-25 Price Reset Engagement Approach ('engagement program').

KPMG was engaged by SA Power Networks to assess SA Power Networks' approach to each stage of the engagement program against the core principles and process requirements of the Australian Energy Regulator's (AER's) Consumer Engagement Guideline for Network Service Providers (AER Consumer Engagement Guideline), the AccountAbility AA1000 Stakeholder Engagement Standard (AA1000SES) and the IAP2 Public Participation Spectrum (IAP2).

KPMG's responsibilities in this engagement were to provide advice and support to SA Power Networks so it could enhance alignment of the engagement program with the AER's Consumer Engagement Guideline, the AA1000SES and the IAP2.

SA Power Networks' responsibilities were to integrate this advice into the engagement program design, implementation, monitoring and evaluation.

This letter outlines the activities that KPMG undertook to arrive at the advice it provided to SA Power Networks.

Summary of KPMG Activities

KPMG drew on its expertise and experience with good practice principles and frameworks for stakeholder engagement, as well as its previous and current knowledge of SA Power Networks' other engagement activities,¹ to identify those areas where alignment enhancements were possible.

The engagement program elements that KPMG reviewed and provided advice on were:

¹ Specifically, the TalkingPower Customer Engagement Program in support of its Proposals as part of the AER's 2015-2020 Distribution Determination; and supporting SA Power with their consultation program for the development of the 2016 Tariff Structure Strategy.

- Governance & integration;
- Purpose, scope & stakeholders;
- Planning;
- Preparing;
- Implementation, and
- Evaluation & review.

The principle-based areas that KPMG reviewed and provided advice on were:

- Accessibility and Inclusivity;
- Materiality;
- Clarity, accuracy, timeliness and responsiveness;
- Transparency; and
- Measurability.

KPMG conducted an initial, interim and final gap analysis of the engagement program against the above referenced principles and process requirements. The initial gap analysis was conducted from August to September 2017 during the strategic research and early engagement phase. The interim gap analysis was conducted from March to May 2018, half way through the in-depth engagement phase. The final gap analysis was conducted from October to November 2018 during the draft plan development and engagement phase.

The purpose of the initial gap analysis was to identify gaps in the design and preliminary delivery of the engagement program, assessed against the identified good practice criteria. The purpose of the interim gap analysis was to test progress in closing previously identified gaps, and assess engagement activities conducted after the initial gap analysis. The final gap analysis took a whole of engagement program perspective to identify gaps and enhancements as well as provide overall reflections.

The three gap analysis activities were supported by:

- The review of 162 documents, including corporate engagement policies, planning and design documents, engagement and workshop templates and records, educational pieces, communications and information disclosed to stakeholders;
- The conducting of 19 interviews with internal and external stakeholders, including: Acting General Manager of Corporate Strategy, Stakeholder Engagement Lead, Reset Program Manager, Reset Engagement Consultant, Reset Engagement Support, workshop facilitation consultants, and representatives from Essential Services Commission of South Australia;

- The observation of two workshops in which SA Power Networks consulted with local community members, AER representatives and business customers about the Price Reset Program; and
- The provision of 17 recommendations on SA Power Networks' engagement program to close gaps identified.

KPMG's advice contributed to the enhancement of the following process elements:

- The draft Engagement Strategy;
- Overarching principles to uphold throughout engagement;
- Purpose and objectives for engagement;
- Stakeholder identification and mapping process;
- Key performance indicators and targets (against each principle, purpose and objective for engagement);
- Monitoring and evaluation tools and templates (including a stakeholder feedback form and final evaluation tool);
- Increased transparency of the dedicated grievance mechanism; and
- Evaluation process methodology.

Due to the nature and scope of this engagement, KPMG's activities did not include making the enhancements to the above-listed engagement processes and tools, review of the materials provided to stakeholders during the engagement program, or implementation or evaluation of the engagement program.

Disclaimers

This Letter of Observation ('Letter') is provided to SA Power Networks and was prepared solely in accordance with the scope of work set out in the Engagement Letter between KPMG and SA Power Networks dated 5 October 2018 ('Engagement Letter'). The Engagement Letter defines the scope of our work in response to the specific requirements of SA Power Networks.

This Letter is provided for information purposes only. Third parties are not entitled to rely and will not rely on any information, comment, observations or factual findings in this Letter. KPMG are under no obligation to provide any third party with any additional information nor to update any of the information contained in this Letter. To the maximum extent permitted by law, KPMG is not responsible to any third party for any loss they may suffer in connection with the release of this Letter to a third party.

Yours sincerely



Richard Boele
Partner