



SA Power Networks

Ring-Fencing Guideline Compliance Report

For the year ended 30 June 2020

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1. Executive Summary

1.1 Introduction

The Australian Energy Regulator (the "AER") published the Electricity Distribution Ring-Fencing Guideline on 30 November 2016 under the National Electricity Rules (the "NER") with amendments made on 17 October 2017 (the "Guideline"). The Guideline requires functional separation of regulated and competitive business activities to promote competition in the provision of contestable electricity services.

Under clause 6.2.1c of the Guideline, Deloitte has been engaged per the engagement letter between SA Power Networks ("SAPN") and Deloitte dated 17 June 2020 as the qualified independent authority to provide reasonable assurance that SAPN's Ring-Fencing Annual Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline, in all material respects, for the period from 1 July 2019 to 30 June 2020.

1.2 Summary of Findings

For the current reporting period 2019/20 we have not identified any exceptions. The rating of each obligation has been applied in accordance with *Section 1.3*.

Management responses to our findings which did not constitute exceptions are included in the Appendix. These do not form part of our report and therefore we do not express an opinion on these.

1.3 Rating Applied

The ratings applied to the results of our testing are defined below based on Deloitte's interpretation of the Guideline. The evaluation of the results of our tests as they relate to the obligations is based on applying our professional judgement and considering the available facts and circumstances.

No Exception	Requirements of the obligation have been met with no or only minor improvement opportunities. Any findings noted are considered minor and require routine efforts to correct in the normal course of business.
Exception	The requirements of the obligation have not been fully met. Findings noted require remedial action.

2. Independent Assurance Report to the Partners of SA Power Networks

Opinion

We have undertaken a reasonable assurance engagement on whether SA Power Network's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Ring-Fencing Guideline - Electricity Distribution (the "Guideline") as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020. The Ring-Fencing Compliance Report will accompany our report, for the purpose of reporting to the Australian Energy Regulator ("AER").

In our opinion, SA Power Networks' Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020.

Basis for Opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* ("ASAE 3100") issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management of SA Power Networks

Management is responsible for:

- a) Providing a statement with respect to the outcome of the evaluation of the compliance activity against the requirements of the Guideline, which accompanies this independent assurance report.
- b) Identifying risks that threaten the achievement of compliance with 6.2.1b of the Guideline identified above being met;
- c) Identifying suitable compliance requirements in the Guideline as required by the AER; and
- d) Identifying, designing and implementing controls to enable the requirements of the Guideline to be met and to monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* in undertaking this assurance engagement.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on whether SA Power Networks' Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether SA Power Network's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2019 to 30 June 2020.

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An assurance engagement to report on SA Power Networks' Ring-Fencing Compliance Report involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the requirements of the Guideline. The procedures selected depend on our judgement, including the identification and assessment of risks of material misstatement in the Ring-Fencing Compliance Report, as evaluated against 6.2.1b of the Guideline.

Our procedures included, but were not limited to:

- Inquiring with SA Power Networks personnel about controls which are in place to allow SA Power Networks to comply with the Obligations;
- On a sample basis, observing the control being performed, and/or inspecting documentation to evidence the design, implementation and effectiveness of the controls;
- Inquiring with management whether they are compliant with the Obligations and corroborating our inquiry with the results of our procedures.

Inherent Limitations

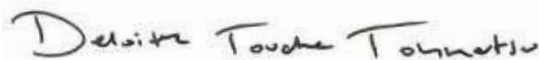
Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or exception with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the period from 1 July 2019 to 30 June 2020 does not provide assurance on whether compliance with the Guideline will continue in the future.

Restricted Use

This report has been prepared for use by the Partners of SA Power Networks for the purpose of meeting the reporting requirements to the AER. We disclaim any assumption of responsibility for any reliance on this report to any person other than SA Power Networks, or for any purpose other than that for which it was prepared. However, we understand that a copy of the report has been requested by AER. We agree that a copy of the report may be provided to AER for their information in connection with this purpose but, as will be made clear in the report, only on the basis that we accept no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement.

It is our understanding that the AER may publish a copy of our report on their website. We do not accept responsibility for the electronic presentation of our report on the AER's website. The security and controls over information on the web site is not evaluated or addressed by the independent auditor. The examination of the controls over the electronic presentation of the Ring-fencing Compliance Report on the AER's web site is beyond the scope of this engagement.



DELOITTE TOUCHE TOHMATSU



Darren Hall

Partner

Chartered Accountants

29 October 2020, Adelaide

3. Detailed Findings

The descriptions of the tests of compliance that were performed, findings relating to the tests of compliance or particular aspects of the engagement, our recommendations and conclusion of whether there has been a breach of the requirements of the Guideline are described below.

The rating of each Obligation has been applied in accordance with *Section 1.3*.

Management responses to the observations and recommendations are included in the Appendix. These do not form part of our report and therefore we do not express an opinion on these.

Legal Separation	
Guideline Reference	3.1 (a)
Guideline Obligations	A DNSP must be a legal entity .
Testing	<p>Key Control</p> <ul style="list-style-type: none"> SAPN registered Australian Business Number (ABN) <p>Test Performed</p> <ul style="list-style-type: none"> We performed a search of the ASIC register for SAPN's ABN to verify that SAPN is a separate legal entity. We inspected the registered ABN as per the ASIC register and compared it to SAPN's Distribution Network Service Provider Licence.
Observations	Based on the testing performed we have not identified any matters of exception against the obligation.
Recommendation	NA
Rating	No Exception
Legal Separation	
Guideline Reference	3.1 (b)
Guideline Obligations	A DNSP may provide distribution services and transmission services, but must not provide other services .
Testing	<p>Key Control</p> <ul style="list-style-type: none"> Central contract register <p>Test Performed</p> <ul style="list-style-type: none"> We selected a sample of SAPN revenue transactions to detect instances of other services being provided by the DNSP. We selected a sample of Enerven revenue balances and obtained the invoices to check that services are performed against the Enerven ABN. We tested the completeness of the contracts register by checking that a sample of contracts executed by Enerven are included on the contract register.
Observations	<p>'Other services' contracts not included on waiver</p> <p>The AER granted SAPN waivers from the obligation to comply with clause 3.1 of the Guideline from 18 December 2017 to contracts expiring in 2021 so that it may continue to provide Other Services contracted under 24 construction and maintenance contracts. We have performed procedures to ensure completeness and accuracy of the register for the 2019/20 regulatory period, no issues have been noted.</p> <p>Based on the testing performed we have not identified any matters of exception against the obligation.</p>
Recommendation	NA
Rating	No Exception
Separate Accounts	
Guideline Reference	3.2.1 (a)

Guideline Obligations	A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.
Testing	<p>Key Control</p> <ul style="list-style-type: none"> SAP accounting system which contains separate General Ledger accounts for recording transactions between SAPN and Enerven <p>Test Performed</p> <ul style="list-style-type: none"> We reviewed SAPN policies regarding maintaining separate accounts. We have obtained a copy of the list of transactions and inspected the general ledger accounts to check that separate General Ledger accounts for recording transactions between SAPN and Enerven are being used. We are therefore satisfied that SAPN is able to report on the transactions between itself and Enerven.
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> SAPN has internal accounting procedures in place that enable it to demonstrate the extent and nature of its transactions with Enerven.
Recommendation	NA
Rating	No Exception
Cost Allocation and Attribution	
Guideline Reference	3.2.2 (a), (b)
Guideline Obligations	A DNSP must allocate or attribute costs to distribution services: <ul style="list-style-type: none"> in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services. and must not allocate or attribute other costs to the distribution services it provides.
Testing	<p>Key Control</p> <ul style="list-style-type: none"> Cost Allocation Methodology ("CAM") approved by the AER Cost Allocation Calculation <p>Test Performed</p> <ul style="list-style-type: none"> We reviewed the CAM to confirm that it addresses the allocation of costs between SAPN and Enerven. We reviewed the cost allocation calculation and checked that it is consistent with the AER approved CAM.
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> The AER approved CAM addresses the allocation of costs to SAPN and Enerven. SAPN's cost allocation calculation is consistent with the AER approved CAM.
Recommendation	NA
Rating	No Exception
Cost Allocation and Attribution	
Guideline Reference	3.2.2 (c)
Guideline Obligations	A DNSP must establish, maintain and keep records that demonstrate how it meets cost allocation and attribution obligations.
Testing	<p>Key Control</p> <ul style="list-style-type: none"> CAM approved by the AER Cost Allocation Calculation <p>Test Performed</p> <ul style="list-style-type: none"> We obtained and reviewed SAPN's cost allocation calculation, which is consistent with the AER approved CAM.
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> SAPN maintains cost allocation calculations that are consistent with the AER approved CAM. These demonstrate how SAPN meets its cost allocation and attribution obligations.

Recommendation	NA
Rating	No Exception
Obligation not to Discriminate	
Guideline Reference	4.1(b)
Guideline Obligations	A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of: i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or ii. contestable electricity services by any other legal entity
Testing	<p>Key Control</p> <ul style="list-style-type: none"> • Enerven Engagement Guideline process • Service agreements between SAPN and Enerven outlining the basis on which services will be provided • Ring-fencing training • Call centre script <p>Test Performed</p> <ul style="list-style-type: none"> • We inquired of management and reviewed procurement policies to gain an understanding of the processes in place where Enerven is a potential supplier in SAPN sourcing activity. • We inquired of management whether Enerven tendered to provide services to SAPN during the period. • We inspected the signed service agreements between SAPN and Enerven for evidence that they establish the basis on which services are performed between the entities. • We inspected the signed service agreement for other suppliers providing the same services to SAPN as Enerven for evidence that the basis on which services are performed that has been established with Enerven are consistent with other suppliers. • We inspected the online ring-fencing training module for evidence that the obligation not to discriminate is explained in clear terms. • We obtained the training report indicating the employees who completed the training and the overall rate of completion. • We inspected SAPN call centre scripts to confirm that appropriate instructions are given in instances where a potential Enerven customer calls. • We anonymously called SAPN customer services on three occasions and inquired about contestable services to confirm they do not recommend Enerven as a provider.
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> • Enerven did not tender for any SAPN sourcing activity during the period. • SAPN has established internal policies and manual procedures where Enerven is a potential supplier during sourcing activity. • SAPN has signed service agreements with Enerven to outline the basis on which services will be provided. • The ring-fencing training module explains the obligation not to discriminate in clear terms. At 30 June 2020 the ring-fencing training module has been completed by 98% of employees. • On the three occasions we called the customer services centre and inquired about contestable services, the customer relations representatives did not recommend Enerven as a provider of contestable electricity services. <p>Procurement information access restrictions</p> <p>Procurement staff members are a corporate service and are shared by SAPN and Enerven, as permitted under clause 4.2.2(b)(i)(c) of the Guideline. To perform their shared function, procurement staff members have access to SAP and other IT systems that contain confidential information such as current contract files and agreements.</p> <p>When SAPN undertakes sourcing activity where Enerven is a potential supplier, a procurement team representative is appointed to support Enerven. The following process is required to be undertaken:</p> <ol style="list-style-type: none"> 1. Enerven will be treated like any supplier. 2. the procurement staff undertaking the respective sourcing activity, cannot also support Enerven in their bidding process,

	<p>3. the procurement team representative for Enerven is required not to access confidential information during the sourcing activity. We understand that the AER is aware of this as evidenced by correspondence with SAPN in writing that the current process in place is sufficient in removing any immediate risk of discrimination. Refer to the details of our evaluation of this process in section 4.3.2 (a) (b) Protection of Confidential Information below.</p> <p>We further note that in the 2019/20 regulatory year there were no SAPN sourcing activity where Enerven was a potential supplier.</p> <p>For SAP applications, the ability to restrict access between SAPN and Enerven is limited without having separate company codes. The implementation of separate company code in SAP is an extensive IT project with significant costs associated. These costs were submitted and approved by AER as part of the SA Power Networks' 2020-25 Regulatory Proposal. The expected completion date for this project is January 2022. We have sighted the correspondence with the AER on this and noted that until the project is completed, SAPN shall provide quarterly attestation reports to the AER to confirm whether any Enerven staff have actively accessed IT applications containing confidential electricity information. Our evaluation on the information contained in the attestation reports have been detailed in section 4.3.2 (a) (b) Protection of Confidential information below.</p>
Recommendation	NA
Rating	No Exception
Offices, Staff, Branding and Promotions	
Guideline Reference	4.2.1(a)
Guideline Obligations	A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services
Testing	<p>Key Control</p> <ul style="list-style-type: none"> Separate offices for SAPN and Enerven Quarterly office sharing analysis <p>Test Performed</p> <ul style="list-style-type: none"> We performed a search of the SAPN and Enerven business addresses and visited each entity's offices to confirm that SAPN uses offices that are separate from the offices where Enerven provides contestable electricity services. We reviewed SAPN's policies in relation to offices, staff, branding and promotions. We reviewed the quarterly office-sharing analysis.
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> SAPN have separate offices from Enerven. General building access is granted to all SAPN and Enerven employees. Access to 4 areas of the SAPN head office at Keswick is restricted, including the Network Operations Centre, Telecommunications Network Operations Centre, Advanced Distribution Management System admin area and Private Automatic Branch Exchange. Access to these areas are restricted due to the security risk and potential widespread impact to the business should someone unauthorised access these areas and cause damage. We identified that common amenities are shared however we inspected correspondence indicating that the AER is aware of the physical separation approach of SAPN that some common amenities are shared. In its correspondence, the AER has acknowledged that the risk of ongoing level of risk of discrimination from this arrangement is low. Based on this and the fact that no breaches to the obligations were identified, we have concluded no exception.
Recommendation	NA
Rating	No Exception
Staff Sharing	
Guideline Reference	4.2.2(a)

Guideline Obligations	A DNSP must ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.
Testing	<p>Key Control</p> <ul style="list-style-type: none"> Monitoring the completion of induction checklists for staff movements, which include the review of access to critical applications. Quarterly staff sharing analysis <p>Test Performed</p> <ul style="list-style-type: none"> We reviewed SAPN's policies in relation to staff sharing. We reviewed the quarterly staff sharing analysis. We selected a sample of staff that cannot be shared by SAPN and Enerven. We obtained their position descriptions to confirm that they are not performing work for both SAPN and Enerven. We selected a sample of staff from the monthly staff movement reports for the regulatory year and inspected the completion of the induction checklist and appropriate access to critical applications have been granted or revoked.
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> SAPN has established internal policies and procedures designed to prevent staff sharing in circumstances not allowed by the Guideline. (Refer to our observations on this control in section 4.3.2 (a) (b) Protection of Confidential information below) Staff sharing analysis is performed quarterly to identify staff members that are not able to be shared. <p>Deloitte obtained the staff sharing register for the June quarter during the 2019/20 regulatory year, inquired the process for preparing and updating the analysis and updating the register based on the analysis. Inquired with management the process undertaken to appropriately review the register and inspected evidence of review through email. We have not identified any exceptions.</p>
Recommendation	NA
Rating	No Exception
Branding and Cross-promotion	
Guideline Reference	4.2.3(a)
Guideline Obligations	<p>A DNSP:</p> <ul style="list-style-type: none"> i) must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related electricity service provider are related. ii) must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement or cross-promotion). iii) must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.
Testing	<p>Key Control</p> <ul style="list-style-type: none"> Social media and website approval process Call centre scripts <p>Test Performed</p> <ul style="list-style-type: none"> We reviewed SAPN's policies relating to branding and cross promotion. We inspected the SAPN website and social media pages for graphics or posts that would lead a reasonable person to infer that SAPN and Enerven are related or that show cross-advertisement, cross-promotion, or promotion of Enerven services. We selected a sample of updates to the SAPN website and a sample of social media posts made in the period and performed procedures to test that the appropriate approval was obtained. We selected a sample of customer complaints and queries and investigated for evidence of customer complaints regarding branding or cross-promotion. We reviewed SAPN call centre scripts for evidence of promotion of contestable electricity services provided by Enerven.

	<ul style="list-style-type: none"> We anonymously called SAPN customer services and inquire about contestable services for evidence that Enerven is not recommended as a provider.
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Distinctly separate Enerven branding has been developed for use when performing contestable electricity services. Website and social media approval controls are appropriately designed and operated effectively during the 2019-20 regulatory year. SAPN does not promote its direct control services and its contestable electricity services that are not direct control services together. <p>Vehicle Branding</p> <p>In our prior year report, we have noted that Enerven vehicles contained the branding “Enerven an SA Power Networks company” were used when performing other non-electricity services, but not when performing contestable electricity services.</p> <p>SAPN had not initially designed and implemented controls to ensure that this branding is not used when performing contestable electricity services.</p> <p>Per the attestation letter dated May 2020 it was noted by SA Power Networks that due to COVID-19 restrictions there was a delay in the removal of the Enerven vehicles SAPN branding with a plan to complete the removal by end of June 2020. We note that this has been completed. In order to ensure this has been performed, Deloitte obtained the Enerven vehicle register and selected a sample of vehicles to ensure the branding had been removed. We have also selected a sample of vehicles from the Enerven site and ensured they have been included in the listing to ensure the register is complete. No exceptions were noted.</p>
Recommendation	NA
Rating	No Exception
Office and Staff Registers	
Guideline Reference	4.2.4 (a), (b)
Guideline Obligations	A DNSP must establish, maintain and keep a register that identifies: <ul style="list-style-type: none"> (a) the classes of offices to which it has not applied; and (b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff and must make the register publicly available on its website.
Testing	<p>Key Control</p> <ul style="list-style-type: none"> Office and staff registers Quarterly staff sharing analysis Quarterly office sharing analysis <p>Test Performed</p> <ul style="list-style-type: none"> We observed that the office and staff register is publicly available on the SAPN website. We selected a sample to verify the data in the office and staff register against the results of the office/location and staff sharing analysis to test that the office and staff registers are appropriately maintained and updated.
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> SAPN maintains an office and staff register, which is publicly available on its website and updated quarterly based on the results of the office sharing analysis and staff sharing analysis.
Recommendation	NA
Rating	No Exception
Protection of Confidential Information	
Guideline Reference	4.3.2 (a) (b)

Guideline Obligations	<p>A DNSP must: (a) keep confidential information confidential (b) only use confidential information for the purpose for which it was acquired or generated</p>
Testing	<p>Key Control</p> <ul style="list-style-type: none"> • Information Classification and Handling Procedure • IT access approval • IT access review <p>Test Performed</p> <ul style="list-style-type: none"> • We reviewed the SAPN Policies in regards to the protection of confidential information. • We reviewed the customer complaints register for evidence of customer complaints that indicate the disclosure of confidential information. • We reviewed the list of critical applications for completeness. • We tested the design and operating effectiveness of IT access review controls. • We tested the design and operating effectiveness of IT access approval controls
Observations	<p>Based on the testing performed we have made the following observations:</p> <p>Non-SAP Applications</p> <p>We have noted that per attestation letter dated May 2020 SAPN initially identified 32 non- SAP business applications which contain confidential electricity information. We note during our testing we identified 31 non- SAP applications with confidential information. This information will be in the Annual Ring Fencing Compliance Report and also mentioned in the next Attestation report. Deloitte have performed an assessment of the completeness of the critical applications list in order to test that applications with confidential information have been included in the critical applications list.</p> <p>Furthermore it was noted there was one instance detected of an Enerven staff member (a metering technician), having unauthorised access to one business application (a metering data base- NESS). Enerven being an affiliated entity of SA Power Networks, there is an obligation to comply with guidelines under 4.3.2. SAPN have noted this was detected on 24 March 2020 and investigated, noting the person was granted access by IT Service Desk agent on 23 March 2020 (i.e. the day prior), before the business application owner had granted their approval. On the same day (24 March 2020), the application owner confirmed that their access to this system was necessary and appropriate for this person. Deloitte have identified the metering technician was given access to the application NESS which is a critical application. We obtained the approval granted on the 24 March 2020, which included justification for why the individual would require access to NESS. We also obtained the access log for NESS for the individual and noted the application was accessed on 7th of March 2020. This has been reflected in the Annual Ring Fencing Compliance Report. Considering the role of the employee requires them to have access to the application, we have concluded that this is not a material breach.</p> <p>SAP Applications</p> <p>In addition to the 31 non- SAP applications SAPN have identified five SAP applications which contain confidential electricity information. SAP is SAPN's enterprise- wide financial and work management system. SAPN has identified that 12 Enerven staff had access to these applications but access to three staff members were not approved. All 12 staff are field workers/ and or field work planners. Their data access is limited to field work such as planning and managing electrical switching. On investigating the matter, SAPN have found the staff members were not aware they had access to SAP and further log data confirmed they had not actively accessed SODS SAP application. SAPN have now removed the access of the three Enerven staff to the relevant SAP applications.</p> <p>Deloitte have obtained details of the three employees who were given access to ensure the three employees have not accessed the applications they did not have approval for. It is noted that the three employees had access to the SAP SODS application (Switching Outage Diary System- Application to perform Switching jobs for planned work). Deloitte have obtained the access logs for SAP and noted the users had not run SODS SAP application.</p>

Deloitte obtained access logs for the regulatory period for the following critical applications that contain confidential customer information:

- NESS
- OMS
- ROMS
- CISOV/ CISOV Web Browser

We have filtered for Enerven employees to ensure they have been provided with appropriate approval. We have identified one employee from our samples who had access without appropriate approval. The employee accessed the application on the 01/08/2019 and the access was revoked on 02/08/2019 after application owner identified Enerven employee having access without approval. Upon further investigation it has been noted the individual is able to have access to the application OMS under ring fencing guidelines. OMS contains outage information including all information relating to an outage. Despite this access not being considered a breach the individual's access was removed as they no longer needed direct access. Based on our procedures, no further instances of this has been identified.

In the prior period our testing identified various SAP applications such as SAP PROEst 1.0, SAP CARE and Sales Contracts that contain confidential information that are not included on the list of critical applications. We have re-performed this testing in the current year for the period ended 30 June 2020 and found that this has not been updated to include these applications in the current year for the period ended 30 June 2020. Our testing did not identify any non-SAP applications that contained confidential information that were not included on the list of critical applications.

The above items have been reflected in the SAPN Annual Ring Fencing Compliance Report. Considering that there was no inappropriate access by the identified employees, we have concluded that this is not an exception. However, we have identified recommendations which have been noted and communicated to management.

Enerven Staff Secondments to SAPN

Enerven staff being seconded to SAPN without induction checklist being completed.

In the 2018/19 regulatory period, the HR department designed controls to monitor the completion of checklists where staff movements have occurred. These controls require HR staff to generate a report from SAP that identifies staff secondments and transfers to Enerven each month. HR staff are required to ensure that the hiring manager has prepared and signed a transfer or secondment checklist for the staff member. If a signed induction checklist is not completed, the HR team member contacts the hiring manager to ensure that a checklist is completed.

Deloitte obtained the monthly staff movement reports for the regulatory year and made a selection of employees to ensure checklist has been performed and appropriate access to critical applications have been granted or revoked.

The correct secondment checklist was not completed for one staff member who had been seconded to the Enerven SA Water Project team and was returning to their previous SAPN role. Per discussions with management it was noted that while SAPN had implemented additional controls (as discussed above), however we identified areas of improvement in the process associated with employees returning to their substantive positions.

Deloitte obtained the access log for the employee and tested they have not had access to critical applications during the period the staff member was seconded. No issues have been noted, however, we have identified recommendations on process improvement which have been noted and communicated to management.

	<p>IT Access Review</p> <p>SAPN's IT team performed a quarterly review of Enerven staff with access to critical applications. The review is performed to identify any Enerven staff members who have access to a critical application without the appropriate approval or where access to the critical application is not permissible under the Guideline.</p> <p>We made the following observations in relation to the quarterly IT access review:</p> <ul style="list-style-type: none"> • The reviewer's considerations are not documented (i.e. there is no evidence of the assessment of whether an employee's access is permissible under the Guideline); • The review is performed by various IT teams and is not performed or documented consistently for all critical applications. <p>Where the quarterly review is not performed consistently it may not be effective in detecting instances where staff have access to critical applications without a valid exemption under the Guideline.</p> <p>Where the review is not documented it is not possible to monitor whether the control is operating effectively.</p> <p>We did not identify any matters of exception to the guidelines however an improvement has been noted and communicated to management.</p>
Recommendation	<p>Enerven Staff Secondments to SAPN</p> <p>We recommend that:</p> <ul style="list-style-type: none"> • All staff movements are recorded in SAP (including short term secondments, secondments between Enerven teams and staff members returning to their subsequent positions); • A checklist is performed to ensure employee does not have access to critical applications that are not authorised; • A staff movement report is obtained from SAP at the end of each month to identify staff movements to an Enerven team; and <p>Where staff movements have occurred, that IT consider the staff's access to any critical applications and restrict access where not permissible under the Guideline.</p> <p>IT Access Review</p> <p>We recommend that SAPN IT:</p> <ul style="list-style-type: none"> • Document their review of all critical applications, including those where no Enerven staff are identified as having access to the critical application; • Document the variables considered while performing the review; and • Develop a consistent methodology for reviewing access to ensure that the review is performed and documented consistently across all critical applications.
Rating	No Exception
Disclosure of Information	
Guideline Reference	4.3.3 (a)-(g)
Guideline Obligations	<p>A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless:</p> <p>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the disclosure is required by, or for the purpose of complying with any law;</p> <p>(c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer;</p> <p>(e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control;</p> <p>(f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP</p>

	(g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.
Testing	<p>Key Control</p> <ul style="list-style-type: none"> • Requests for Information Procedure • Information Classification and Handling and Management Directive • Requests for Information Procedure • Information Sharing Protocol • Information Sharing Web Form • Information Sharing Terms and Conditions • Information Register <p>Test Performed</p> <ul style="list-style-type: none"> • We reviewed SAPN's policies in relation to the disclosure of information. • We performed inquiries to determine whether SAPN has disclosed any confidential information in the period. • We reviewed the customer queries and complaints register for evidence of customer complaints that indicate the disclosure of confidential information.
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> • SAPN has developed policies and procedures to ensure that confidential information is disclosed only where permitted under the Guideline. • SAPN has not disclosed confidential information in the period.
Recommendation	NA
Rating	No Exception
Information Register	
Guideline Reference	4.3.5 (a) - (c)
Guideline Obligations	<p>(a) A DNSP must establish, maintain and keep a register of all:</p> <p>i. related electricity service providers;</p> <p>ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information identified in clause 4.3.4(a), and must make the register publicly available on its website.</p> <p>(b) For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.4(a), the DNSP's information register must:</p> <p>i. identify the kind of information requested by the legal entity; and</p> <p>ii. describe the kind of information requested by the legal entity in sufficient detail to enable other legal entities to make an informed decision about whether to request that kind of information from the DNSP.</p> <p>(c) A legal entity may request that the DNSP include it on the information register in relation to some or all of the kinds of information that the DNSP is required to provide under clause 4.3.4(a), and the DNSP must comply with that request.</p>
Testing	<p>Key Control</p> <ul style="list-style-type: none"> • Information Register <p>Test Performed</p> <ul style="list-style-type: none"> • We observed that the information register is publicly available on SAPN's website. • We confirmed that there were no disclosures of confidential information in the period by reviewing the results of the Information Sharing Web Form.
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> • SAPN has established an information register that is publicly available on the SAPN website. • SAPN has processes in place to maintain the information register.
Recommendation	NA

Rating	No Exception
Conduct of Service Providers	
Guideline Reference	4.4.1 (a)
Guideline Obligations	A DNSP: (a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with: i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP
Testing	Key Control <ul style="list-style-type: none"> SAPN Standard Terms and Conditions Test Performed <ul style="list-style-type: none"> We reviewed SAPN Standard Terms and Conditions and checked that it requires service providers to comply with clauses 4.1, 4.2.1, 4.2.2, 4.3.2 and 4.2.3 of the Guideline. We selected a sample of suppliers with new contracts entered into in the period and confirmed that the Standard Terms and Conditions attached to the contract contained the requirement to comply with clauses 4.1, 4.2.1, 4.2.2, 4.3.2 and 4.2.3 of the Guideline.
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> SAPN standard terms and conditions requires service providers to comply with clauses 4.1, 4.2.1, 4.2.2, 4.3.2 and 4.2.3 of the Guideline.
Recommendation	NA
Rating	No Exception
Conduct of Service Providers	
Guideline Reference	4.4.1 (b)
Guideline Obligations	A DNSP: (b) must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's obligations.
Testing	Key Control <ul style="list-style-type: none"> SAPN Standard Terms and Conditions Supplier Contract Amendment Letter Test Performed <ul style="list-style-type: none"> We reviewed the SAPN Standard Terms and Conditions and checked that they do not directly or indirectly, encourage or incentivise service providers to engage in conduct, which, if the SAPN engaged in the conduct itself, would be contrary to the DNSP's obligations. We selected a sample of suppliers with new contracts entered into in the period and confirmed that the revised Standard Terms and Conditions were attached.
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> SAPN standard terms and conditions requires service providers to comply with clauses 4.1, 4.2.1, 4.2.2, 4.3.2 and 4.2.3 of the Guideline.
Recommendation	NA
Rating	No Exception
Waiver Register	
Guideline Reference	5.7 (a)
Guideline Obligations	A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) and must make the register publicly available on its website

Testing	<p>Key Control</p> <ul style="list-style-type: none"> Waiver register <p>Test Performed</p> <ul style="list-style-type: none"> We observed that the waiver register is publicly available on SAPN's website. We selected samples to verify the details contained on the waiver register against the waiver decisions published on the AER website.
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> The waiver register is publicly available on the SAPN website. SAPN's waiver register is consistent with the AER waiver decisions.
Recommendation	NA
Rating	No Exception
Waiver Register	
Guideline Reference	5.7 (b)
Guideline Obligations	<p>The register established under clause 5.7(a) must include:</p> <ul style="list-style-type: none"> i. the description of the conduct to which the waiver or interim waiver applies; and ii. the terms and conditions of the waiver or interim waiver; as set out in the AER's written decision, provided by the AER to the DNSP, to grant (or vary) the waiver or interim waiver.
Testing	<p>Key Control</p> <ul style="list-style-type: none"> Waiver register. <p>Test Performed</p> <ul style="list-style-type: none"> We selected samples to test the details contained on the waiver register against the requirements of the Guideline.
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> The details contained on SAPN's waiver register are consistent with the requirements of the Guideline.
Recommendation	NA
Rating	No Exception
Maintaining Compliance	
Guideline Reference	6.1
Guideline Obligations	<p>A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline.</p>
Testing	<p>Discussions held with:</p> <ul style="list-style-type: none"> Regulatory Analyst Learning and Development Manager <p>Key Control</p> <ul style="list-style-type: none"> Bi-annual Internal Compliance Questionnaire Dedicated regulatory team Ring-Fencing Training <p>Information Obtained</p> <ul style="list-style-type: none"> Regulation Ring-Fencing Compliance Procedure Ring-Fencing Training module and completion report <p>Test Performed</p>

	<ul style="list-style-type: none"> We reviewed the Regulation Ring-Fencing Compliance Procedure. We reviewed the responses to the Regulation Ring-Fencing Quarterly/ bi-annual Internal Compliance Questionnaire. We reviewed the online ring-fencing training module for evidence that the ring-fencing obligations are explained in clear terms. We obtained the training report indicating the employees who completed the training and the overall rate of completion.
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> SAPN has developed policies and procedures to ensure that it complies with the obligations under the Guidelines. The ring-fencing training module explains the Guideline obligations in clear terms. At 30 June 2020 98% of staff had completed the mandatory ring-fencing training. <p>Based on the testing performed we have made the following observations in regard to prior year findings:</p> <p>Ring-fencing e-learning</p> <p>In the 30 June 2019 compliance report, we reported that the ring fencing e-learning training does not include an assessment at the conclusion of the training for staff to demonstrate an understanding of the Guidelines.</p> <p>During the 2019/20 regulatory year, we noted the e-learning introduction to Ring Fencing still lacked the recommended quiz component at the end of the e-learning, but it was identified a new e-learning 'Managing for Compliance' was developed for L3 Managers that embedded a quiz component and subsequent to the completion of this module, managers are required to hold a Ring Fencing refresher session with their respective teams. These Manager held sessions would provide junior staff an opportunity to refresh their understanding and a platform to ask questions. The new Managing for Compliance e-learning module was release in July 2020 and currently in progress of completion by L3 managers.</p> <p>Training for level 3 managers and above</p> <p>In the 30 June 2019 compliance report, we reported that attendance of the level 3 managers and above at the informal ring-fencing training session during June 2019 was not monitored. Thus, there is a risk not all managers may have attended the training session and may not have refreshed their understanding of the ring fencing obligations.</p> <p>During the 2019/20 regulatory year, refresher training sessions were run throughout November 2019. For these sessions, attendees were required to sign in and attendance were monitored by Regulatory team.</p> <p>Bi-annual Internal compliance Questionnaire</p> <p>In our 30 June 2019 compliance report, we noted that the internal compliance questionnaires are required to be completed on a quarterly basis. During the current year, we have noted that the review of the internal compliance questionnaire has occurred for the period 1 July 2019 to 30 September 2019 (Quarter 1 of the year) and subsequently for a 9-month period from 1 October 2019 to 30 June 2020. Based on our discussions with management, the frequency of the control will now be performed on a bi-annual basis prospectively.</p>
Recommendation	NA
Rating	No Exception
Annual Compliance Report	
Guideline Reference	6.2.1 (a), (b)
Guideline Obligations	<p>A DNSP must prepare an annual ring-fencing compliance report each regulatory year.</p> <p>The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:</p> <ol style="list-style-type: none"> the measures the DNSP has taken to ensure compliance with its obligations under this Guideline; any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP; and all other services provided by the DNSP in accordance with clause 3.1; and the purpose of all transactions between the DNSP and an affiliated entity.
Testing	<p>Key Control</p> <ul style="list-style-type: none"> Ring-fencing compliance report

	Test Performed <ul style="list-style-type: none"> We reviewed the draft 2019-20 ring-fencing compliance report against the requirements of the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual (version 2).
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> SAPN has prepared a compliance report that is consistent with the requirements of the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual (version 2).
Recommendation	NA
Rating	No Exception

Annual Compliance Report	
Guideline Reference	6.2.1 (c)
Guideline Obligations	The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.
Testing	Key Control <ul style="list-style-type: none"> Ring-fencing compliance report Deloitte has been engaged as the independent authority to assess SAPN's compliance with the Guideline. Test Performed <ul style="list-style-type: none"> We reviewed the draft annual ring-fencing compliance report for evidence that it is accompanied by an assessment of compliance by a suitably qualified independent authority.
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> SAPN has prepared a compliance report that is consistent with the requirements of the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual. The compliance report is accompanied by an assessment of compliance by a suitably qualified independent authority.
Recommendation	NA
Rating	No Exception
Compliance Breaches	
Guideline Reference	6.3
Guideline Obligations	A DNSP must notify the AER in writing within 5 (five) business days of becoming aware of a material breach of its obligations under this Guideline.
Testing	Key Control <ul style="list-style-type: none"> Breach Management Governance Framework Ring-fencing training module Test Performed <ul style="list-style-type: none"> We reviewed the Breach Management Governance Framework and Breach Reporting Quick Reference Guide. We selected a sample of customer complaints and queries to investigate for instances of non-compliance with the Guideline. We reviewed the online ring-fencing training module for evidence that employees are informed of the breach reporting process. We obtained the training report indicating the employees who completed the training and the overall rate of completion.
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> SAPN has established processes to ensure material breaches are reported to the AER within 5 days.

	<ul style="list-style-type: none">• No material breaches noted that were notified to AER within 5 days.
Recommendation	NA
Rating	No Exception

APPENDIX

Management Response(s)

The following table provides management responses against each identified non-material breach noted above (managements responses are not within the scope of our assurance report).

No.	Category	Ref.	Guidance Obligation	Rating	Material Breach	Management Comment
1	Protection of Confidential Information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential information confidential (b) only use confidential information for the purpose for which it was acquired or generated	No exception.	No.	<p>Non- SAP Applications</p> <p>While this breach is not considered material, there was an internal process failure in controlling access to a business system containing confidential information. The Service Desk agent was reminded of the applications access approval process.</p> <p>SAP Applications</p> <p>Furthermore, a major IT change project is now being progressed to introduce separate 'company codes' for SA Power Networks and Enerven within the SAP application which will strengthen SAP access controls. This is a complex project and is scheduled to be completed in January 2022.</p> <p>Enerven staff secondment to SAPN</p> <p>A communication has been issued to all Enerven staff confirming the HR secondment and transfer process and reiterated the requirement for any staff secondment to involve the Enerven HR Talent Manager prior to commencement. The Talent Manager will ensure the correct HR secondment checklist is completed, and access restrictions are imposed prior to the commencement of any secondment.</p> <p>The 'Transferring Employee' induction checklist (which is now initiated by HR for all employee moves between business units – for secondments, permanent internal appointments, redeployment opportunities and realignment of roles and / or functions), contains a specific ring-fencing section in the 'pre-commencement' leader tasks section. If ring-fencing compliance actions apply to the employee move, both HR and the leader will ensure that all ring-fencing related tasks outlined in the checklist are completed prior to the employee commencing in their new position.</p> <p>All secondments and transfers (regardless of duration) will be actioned through the HR branch, and recorded in SAP.</p> <p>HR will monitor progress of the checklists weekly to ensure pre-commencement obligations are met.</p>

No.	Category	Ref.	Guidance Obligation	Rating	Material Breach	Management Comment
						<p>A new process is also being investigated to add a further checklist for employees returning to their substantive position at the end of a secondment, this process will ensure a review of the employees' access permissions.</p> <p>IT Access Review</p> <p>Access reviews of each application containing confidential information were again conducted in 2019/20 and verified by IT Management, to ensure the process and controls are being adhered to. In 2019/20 four instances were detected where staff had inappropriate access.</p> <p>Following our 2018/19 report compliance report, the AER remained concerned at the lack of 'hard' SAP IT access controls and noted Deloitte's recommendation that separate company codes be implemented in our SAP system.</p> <p>As part of our 2020-25 distribution determination process we proposed an IT project to undertake this work. In June 2020, the AER published its Final Decision which included funding for SA Power Networks to undertake this project. Implementing these changes will introduce stronger access controls for our SAP system. However, this is a complex project and while preliminary work has commenced completion is not scheduled until January 2022.</p> <p>As an interim measure, the AER requested we also provide additional attestation reports confirming whether any Enerven staff have actively accessed IT applications containing confidential electricity information. This additional reporting requirement is on a quarterly basis. Our first attestation covered the nine months period to March 2020 and was provided in May 2020 and our second attestation, for the quarter ending June 2020 was provided in July 2020.</p> <p>Other developments in 2019/20 to strengthen controls around protection of confidential information are discussed below.</p> <p>We implemented improvements recommended in Deloitte's 2018/19 report, including documenting the process (documented by the Applications Team Leader, and approved by the Applications Support Services Manager, Manager SAP Services, and Manager Digital and Mobile Solutions). The process includes:</p> <ul style="list-style-type: none"> • Reporting frequency and due dates • Applicable systems for reporting (and team leader responsible) • Reporting format

No.	Category	Ref.	Guidance Obligation	Rating	Material Breach	Management Comment
						<ul style="list-style-type: none"> • Level 3 Manager review and approval (with approval records maintained) of all quarterly system access review reports all recorded in central repository for future reference <p>The process has been clearly communicated to all applicable team leaders and managers.</p> <p>We also implemented better record keeping of IT system access approvals. The approvals process and appropriate record of those approvals is detailed in the IT Application Access Work Instruction.</p> <p>The approval for any Enerven staff requesting access to critical systems has now been automated in the IT service request management tool to reduce the opportunity for human error. The automated approval will incorporate the detailed ringfencing specific approval templates and will stop the subsequent access provision process if appropriate approval is not granted via the IT service request management tool.</p> <p>The IT Ringfencing Compliance Group continued to meet regularly with key staff representing all IT teams and all IT staff are continually reminded of the importance of the process. The IT induction process for any new or transferring staff within IT now includes (in addition to the online ringfencing training activity) a review of the IT Application Access Work Instruction and Quarterly system access review process.</p>