



Annual Ring-fencing Compliance Report 2019/20

October 2020



Empowering South Australia

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1. Introduction

This report is our third Ringfencing Annual Compliance Report to the Australian Energy Regulator (**AER**). It provides details of the actions that we have undertaken to ensure compliance with the current Ringfencing Guideline dated October 2017 (**Guideline**) during the 1 July 2019 to 30 June 2020 period. We again retained Deloitte to independently assess our ring-fencing compliance measures over this period.

We have largely retained the same format as the 2018/19 report, updating information and compliance actions where developments have occurred. In some areas there have been no changes and we restate the same information provided in previous reports, where still relevant, for completeness.

During the 2019/20 year there were four immaterial breaches of the Guideline identified. These are detailed in Section 2 of this Ring-fencing Annual Compliance Report (**Report**).

Section 3 of this Report summarises prior period compliance findings, recommendations and actions taken.

Throughout this Report, there are references to documents that have been created or already existed prior to 1 January 2018, that support ring-fencing compliance. The references align with those in Appendix A, which appear as '[alphabetic reference].[document number]'. Appendix A provides a brief description of each document referred to.

1.1. Key Interpretations

Some key interpretations were outlined in our Ring-fencing Implementation Plan in August 2017 and in each of our subsequent Ring-fencing Annual Compliance Reports. These interpretations have remained consistent since our implementation process.

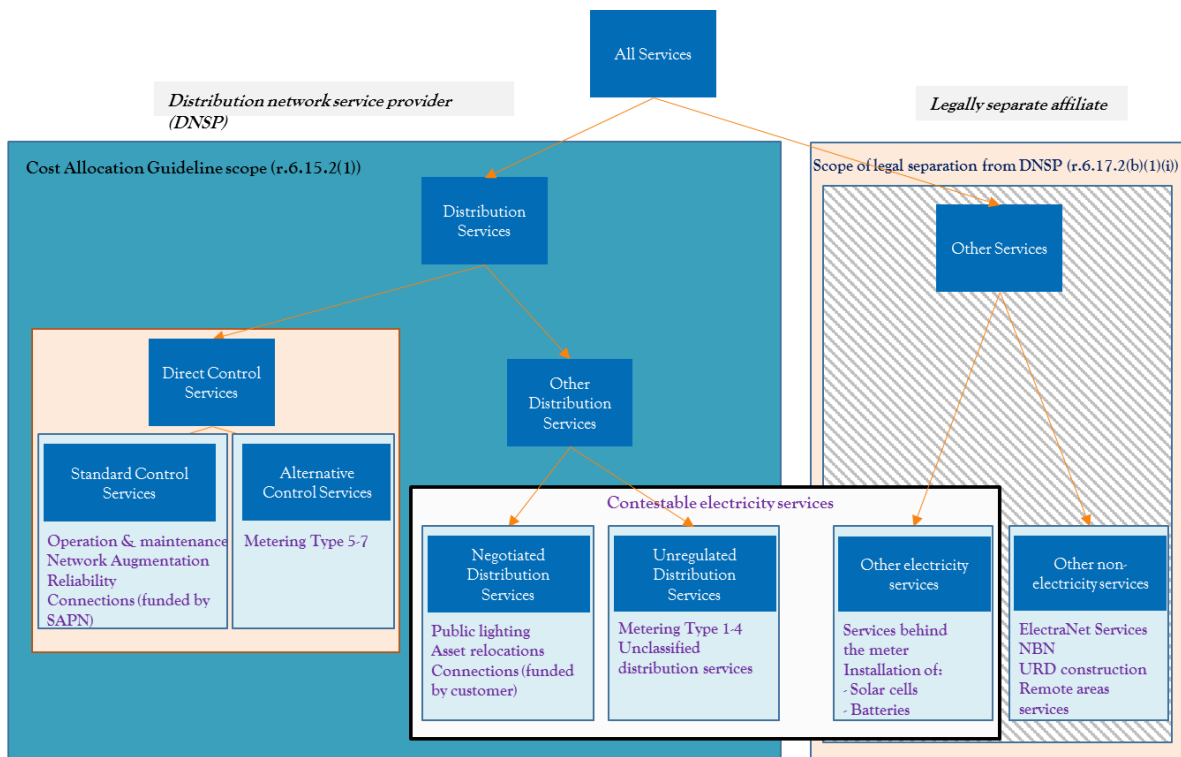
Compliance implementation was guided by our general interpretations of the guideline, as follows:

1. Only services provided in connection with our own distribution network are distribution services—work on, or for, other networks must therefore be undertaken by our affiliates (except where an exemption applies under the Guideline).
2. If an affiliate provides services on our behalf, we must ensure it complies with ring-fencing obligations just as any service provider must. However, where an affiliate undertakes work for a different party, ring-fencing does not apply to the affiliate; except to the extent that the affiliates' provision of services to the other party affects its relationship with us.¹
3. Staff involved in providing our direct control services may also be involved in the provision of services by our affiliate, subject to meeting certain conditions:
 - The roles and activities of any shared staff must accord with one of the exclusions listed in the Guideline; or
 - The services in question are 'other non-electricity services'², typically construction, maintenance and metering infrastructure services provided to customers that are not connected to our distribution network and include property developers and other electricity and telecommunications utilities. For the avoidance of doubt, where any of our affiliate's customers provide electricity services, our affiliate is providing an input to these services and is not providing services direct to their customers—that is, our affiliate is not providing electricity services in these circumstances. Figure 1 overlays a non-exhaustive list of these and other services that we provide, onto the diagram from the AER's Explanatory Statement.

¹ If our affiliate provides services to a party other than SA Power Networks, we must ensure our affiliate is not using SA Power Networks' regulated funds to cross-subsidise its activities.

² AER, *Electricity distribution ring-fencing guideline – Explanatory statement*, November 2016, Figure 1, page 14.

Figure 1: Mapping ring-fencing to distribution services



Note that from 1 July 2020, SA Power Networks no longer has any services classified as Negotiated Distribution Services. Most services classified as Negotiated Distribution Services during the 2015-20 regulatory control period have been reclassified as Direct Control Services from 1 July 2020. This diagram will be updated accordingly in next year's, 2020/21, compliance report.

2. 2019/20 compliance

During the 2019/20 period, SA Power Networks was fully compliant with the Ring-fencing Guideline with the exception of four non-material breaches which are all related to unauthorised ability to access business systems which contain confidential information.

We are reporting these as non-material breaches of clause 4.3.2(a) of the Guideline which requires DNSPs to keep 'confidential information' confidential.

Non-SAP Applications

SA Power Networks has 31 non-SAP business applications which contain confidential electricity information. We reviewed access logs for these applications covering the period from 1 July 2019 to 30 June 2020. There were no instances detected of Enerven staff accessing confidential information during this period other than in accordance with the Ring-fencing guideline.

However, on 24 March 2020, an Enerven staff member (a metering technician) was detected as having unauthorised access one business system (a metering database). This incident was immediately investigated, and it was ascertained that the staff member was incorrectly granted access by an IT Service Desk agent, with access available from 7 March 2020.

On the same date (24 March 2020), the application owner confirmed that access to this system was necessary and appropriate for this staff member to perform their duties, with formal approval granted by the business application owner.

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 our applications access approvals process.

SAP Applications

There are five SAP applications which contain confidential electricity information. SAP is our enterprise-wide financial and work management system. We reviewed access permissions and logs for these applications covering the period from 1 July 2019 to 30 June 2020. In this period, 12 Enerven staff had ability to access these applications but access for three of these staff was 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 investigation of the three staff with non-approved access, these staff indicated they were not aware they had access to SAP and further log data confirmed they had not actively accessed SAP. We have now removed their access to the relevant SAP applications.

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.

3. Summary of previous years findings and actions

Compliance findings and key actions from prior 2018/19 and 2017/18 years are summarised below. Please refer to our annual compliance reports for these years for further details.

2018/19	Finding	Actions taken
Protection of Confidential information	<p>Two Enerven staff had access to systems containing customer information following commencement of their secondment on a project.</p> <p>While explicit customer consent to access the customer’s information did exist, elements of the process were not followed to ensure ring-fencing compliance at the commencement of their secondments.</p> <p>Human Resources Branch (HR) process access checks were not completed prior to commencement of these secondments.</p>	<ul style="list-style-type: none"> • A communication was issued to all Enerven staff confirming the HR secondment and transfer process and reiterated the requirement for any staff secondment to involve the HR Talent Manager prior to commencement. • HR implemented new digital checklists for all employee moves that have replaced the paper-based checklists. The new process automatically workflows to and between leaders and staff with instructions and links directly to the checklist, ensuring appropriate granting/removal of systems access. • All secondments and transfers are now actioned through HR and recorded in SAP. HR monitor progress of the checklists weekly to ensure pre-commencement obligations are met.

2017/18	Finding	Actions taken
Legal separation	<p>A breach was identified involving the legal separation obligation for five SA Power Networks’ contracts for ‘other services’. These five contracts were not covered by an AER-approved waiver from the obligation to comply with clause 3.1 (legal separation) of the Guideline. Enerven identified the contracts not included in the initial AER-approved waiver and SA Power Networks disclosed this as part of the Independent Assessment.</p>	<ul style="list-style-type: none"> • Enerven now manages and maintains a central contracts register for all Enerven contracts, which includes the waived ‘Other Services’ contracts. Any proposed amendments to the waived contracts will be discussed with the Regulation Branch who will advise the AER of any proposed amendment as required. • New processes established to manage and monitor new and ongoing Enerven contracts, to ensure that no new contracts are executed in SA Power Networks name.
Protection of Confidential information	<p>Deloitte identified and reported two exceptions in relation to the protection of confidential information, both in the context of Enerven access to IT systems containing confidential information:</p> <ul style="list-style-type: none"> • Application of the correct Guideline definition of confidential information in the IT systems access process; and • Inadequate HR processes to ensure staff secondments from SAPN to Enerven are appropriately managed, tracked, and removal of access is actioned. 	<p><i>Correct definition</i></p> <ul style="list-style-type: none"> • Further review of all IT applications undertaken based on the Guideline definition of confidential information including network information not available publicly, not just customer information as originally interpreted. • Removal of any Enerven staff access to these systems not allowed by a Guideline exemption. Deloitte’s assessment did not identify any inappropriate access to this confidential information. • IT system access process and a quick reference guide developed • Regular access checks implemented

2017/18	Finding	Actions taken
		<ul style="list-style-type: none"> • Creation of a new company code in SAP system being progressed. <p><i>Secondment process</i></p> <ul style="list-style-type: none"> • New digital 'new starter checklist' and secondment process implemented in 2018/19 has tighter IT system access controls

4. Compliance measures and actions undertaken in 2019/20

Key internal documents related to our ongoing compliance program are summarised at the end of this Report in Appendix A alongside each Guideline obligation.

Information provided in this Report is not exhaustive, but provides some detail on ongoing key compliance controls, in addition to those already provided above.

4.1. Additional information on compliance measures

4.1.1. Training and awareness activities

A ring-fencing training module (Appendix A, G.1) is mandatory for all new SA Power Networks Group staff (including Enerven). As at June 2020, 98 per cent of staff are recorded as having completed this module. The training highlights the Guideline obligations, includes a high-level overview of each section, and provides some examples and case studies.

Several 'Quick Reference Guides' that remind all staff of their obligations in respect to specific areas, such as staff and office sharing restrictions, branding and cross promotion obligations, and breach reporting requirements, are available to all staff on the central company knowledge library.

A ringfencing refresher presentation was provided to senior managers across the business in October/November 2019. A new online 'Managing for Compliance' training module has been developed and is being rolled out to all leaders between 1 August and 30 October 2020. Leaders will then facilitate discussions with their staff, ensuring all staff are aware of the Ring-fencing obligations and the impact on their own role.

4.1.2. Internal compliance reports

A compliance questionnaire (C.2) is routinely issued to managers in all SA Power Networks departments. This questionnaire lists the obligations assigned to individual managers, along with reference documentation and explanatory notes where appropriate. The managers must review and complete the questionnaire, declaring they are 'compliant' (or otherwise) against each obligation. They are also asked to state their mechanism/s for compliance, and any other relevant comments including actions to address any non-compliances.

The questionnaires serve as a mechanism to regularly remind managers of their ring-fencing obligations, and to identify areas of potential concern including risk areas; requirements for follow up conversations; and training requirements, and to highlight implemented controls.

During 2019/20, SA Power Networks has moved to a six-monthly cycle (previously quarterly) for completion of compliance questionnaires, recognising the increased level of Ring-fencing maturity within the business.

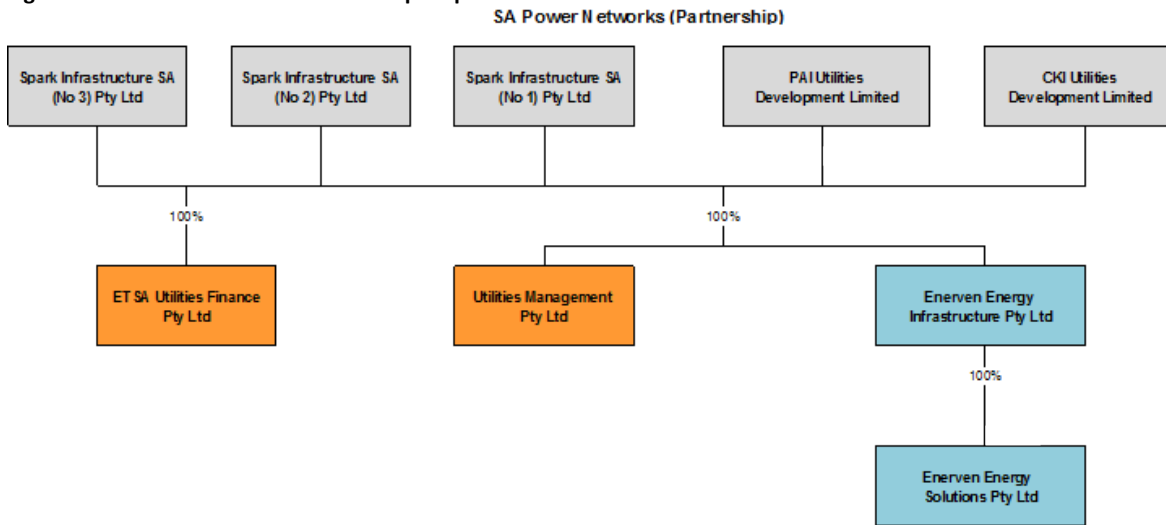
4.2. Legal Separation

The legal separation obligations in the Guideline require that SA Power Networks only provide distribution services, and prevents SA Power Networks from using regulated funds to subsidise affiliates. The obligations do not prevent affiliates from providing non-distribution services.

The SA Power Networks Partnership corporate structure, effective from 1 January 2018, is set out in Figure 2.

SA Power Networks is a partnership comprising five corporate entities. The Guideline defines ‘legal entity’ to include a partnership. The SA Power Networks partnership is the Registered DNSP (**L.1**). All staff are employed by Utilities Management Pty Ltd (**UMPL**) subsidiary.

Figure 2: SA Power Networks Partnership corporate structure



In 2019/20, all non-distribution services continued to be provided through SA Power Networks’ affiliate, Enerven Energy Infrastructure Pty Ltd, excepting services provided under pre-existing contracts covered by a waiver (refer section 4.13 Waiver register of this report).

4.3. Establish and maintain accounts

We must establish and maintain appropriate internal accounting procedures to ensure that we can demonstrate the extent and nature of transactions with our affiliates. Further, we must allocate or attribute costs in accordance with our AER-approved Cost Allocation Method (**CAM**).

Prior to the Guideline implementation, we already accounted for and reported most of our unregulated business activities in a separate business unit. These activities were therefore already effectively ring-fenced from an accounting perspective from our distribution services. Costs are attributed or allocated to regulated and unregulated activities in accordance with the CAM, which also identified how corporate costs are allocated between each function.

Separate financial accounts are established for our affiliate entities.

To facilitate compliance with the Guideline, a review of financial processes was undertaken in 2019/20 and actions to comply with the Guideline were identified and implemented.

4.3.1. Compliance actions

To comply with the Guideline, the following activities were completed prior to 1 January 2018:

- Reviewed costing procedures to ensure no cross-subsidisation between us and our affiliates;
- Developed processes, protocols and guidelines for transactions between us and affiliates, including service-level agreements where appropriate;
- Maintain inter-company general ledger accounts to identify transactions between us and our affiliates;
- Reviewed labour costing to ensure appropriate distribution of employee costs from Utilities Management Pty Ltd to distribution and non-distribution services, including transparent identification of inter-company transactions (**F.3**);

- Created inter-company transactions for corporate costs allocated in accordance with the CAM;
- Identified and implemented IT changes to facilitate any revision to accounting procedures in the most efficient manner;
- Updated documentation and trained key personnel in accounting processes and protocols between us and our affiliates; and
- Reviewed and updated the CAM (**F.2**) to incorporate structural organisation changes arising from legal separation, and cost allocation changes that were required to comply with the Guideline.

In 2019/20 we continued to undertake the following compliance activities:

- Reports generated out of SAP to capture the extent and nature of affiliate transactions by functional area. These reports are provided to key finance personnel on a quarterly basis for review, to follow up any concerns with operational staff and to post any required corrections in SAP. The annual version of these SAP reports are used to generate our final Affiliate Transaction Report (refer Attachment 1).
- Half-yearly workbooks maintained that show the direct attribution or allocation of corporate overheads between distribution and non-distribution services in accordance with SA Power Networks' CAM. Compliance is assessed by an independent external audit of the information contained in SAPN's Regulatory Accounts and associated AER Regulatory Information Notices (**RINs**).
- Reviewed and updated the CAM (**F.2**) to reflect the change in service classification for Negotiated Distribution Services from 1 July 2020. This was approved by the AER on 29 June 2020.

4.4. Obligation to not discriminate

We must not discriminate in favour of affiliates or the customers of affiliates. This obligation applies generally, but also with specific reference to the terms and conditions, timeliness, and quality of services that we offer and provide to other parties.

4.4.1. Compliance actions

The corporate Procurement Directive (**D.2**), Procure to Pay Guideline and Strategic Sourcing Framework (**D.3**) provide business-wide direction on procurement activities, which includes engaging with any third party, including Enerven.

The Shared Services Engaging Enerven Guideline (**D.1**) provides information and advice on how to engage with Enerven when procuring goods and/or services on behalf of SA Power Networks' regulated business.

The governance framework in the guideline requires multiple steps to ensure no discrimination occurs. This includes an Engagement Matrix that includes the entire procurement context, including value, market assessment, and complexity assessment.

Service agreements (**F.7**) continue to operate to provide the basis on which certain services (including corporate services) are provided.

No new service agreements were negotiated with Enerven in 2019/20.

4.5. Physical separation/co-location and Staff sharing

Direct control services staff are not to be shared or co-located with the staff of affiliates where the affiliates are providing 'contestable electricity services', except where these staff:

- Do not have access to electricity information;
- Have access to electricity information but cannot use that information to engage in discriminatory conduct in performing their role;
- Only use electricity information to provide corporate services;
- Are located in a regional office; or
- Are providing assistance to another network service provider in response to an emergency or uncontrollable event.

Staff providing 'other non-electricity services' may be shared.

4.5.1. Compliance actions

Physical separation

Location sharing analysis was again conducted routinely by the Finance and Regulation teams, using organisational data from our HR system to highlight locations where both regulated and contestable services are provided. The duties of each staff member in shared locations is assessed and whether an exemption under the Guideline applies. These shared locations and the exemptions applicable are listed in our Office Sharing Register (**R.2**). There have been no additional locations added to the Office Sharing Register in 2019/20.

An Office Sharing Guideline (**O.1**) and Office Sharing Quick Reference Guide (**O.2**) are maintained within the internal Quality Management System Knowledge Library, and details are provided to all staff via the training module and a corporate communication bulletin (respectively). These documents provide guidance and practical examples for staff on where they can and cannot co-locate.

Company-wide Directives and Policies are also in place, including the Ringfencing Corporate Compliance Directive, Code of Conduct, Information Security Directive, and Information Classification and Handling Directive. There are also broader privacy considerations within the Privacy Act, which all staff must legally adhere to. For example, confidential information cannot be used or disclosed for any other purpose other than the reason for which it is collected (Australian Privacy Principle 6).

The Keswick Head Office (**Head Office**) houses a number of departments. Many are corporate services, including People and Culture (eg Human Relations, Learning and Development, Change Management), Regulation, Finance, and Legal. As permitted by the Guideline (and outlined in the Explanatory Statement) certain corporate services are shared between SA Power Networks and its affiliate.

Head Office is also the location of our Customer and Community, Network Management departments, and some of our Field Services personnel. These departments have access to confidential electricity information that is required to complete distribution work, including customer and network information. This information not in the public domain and is not available to Enerven or any other visitors to Head Office.

Head Office does not permanently house any affiliate (Enerven) staff. Enerven have access to the building for corporate services functions, including participation in meetings. Access is restricted to the Network Operations Centre, Telecommunications Network Operations Centre, Advanced Distribution Management System admin area and Private Automatic Branch Exchange, due to the high security risk of these functions.

Staff sharing

Staff sharing analysis was again conducted in 2019/20. The process involved using organisational data from our HR system which detailed all staff and their positions. Analysis was conducted at the role level, considering the duties of each role and whether an exemption under the Guideline could be applied. These shared staff positions are listed in our Staff Sharing Register (**R.1**). There have been no additional positions added to the Staff Sharing Register in 2019/20.

A Staff Sharing Guideline (**S.2**) and Staff Sharing Quick Reference Guide (**S.3**) were developed and provided to all staff via the training module and a corporate communication bulletin (respectively). These documents provide guidance and practical examples for staff on where they can and cannot be shared between the regulated business and Enerven. A Staff Movement Directive (**S.1**) was also developed to ensure the obligations are appropriately considered and adhered to by all staff.

Area of special consideration - Procurement staff

Our 2018/19 report discussed our approach in relation to sharing of procurement staff which ensures SA Power Networks' sharing of procurement staff with Enerven does not disadvantage competitors of Enerven. In February 2020 we provided further information to the AER which also explained:

- When a competitive tendering process is undertaken, the documents containing tenders from external service providers are stored in local network drives and not our SAP system, and these are locked-down such that Enerven staff do not have access to them.
- After a tendering process has concluded, summary outcome information such as the rates agreed with external service providers to allow the whole SA Power Network Group to transact with them, is however stored in our SAP system. Having explored options, we determined that 'hard' access controls would be the most effective and efficient way of restricting access to this information and we have included an initiative in our 2020-25 Regulatory Proposal in order to implement these 'hard' controls (that is, the separate company code discussed above).
- We currently also have various other controls, including training, company-wide directives and policies, six-monthly compliance questionnaires and audits. SA Power Networks has a number of relevant directives and guidelines we apply in managing bidding processes involving Enerven.³ Principally, where we identify that a competitive sourcing process should be undertaken for an activity that SA Power Networks seeks to procure, and that Enerven may be a potential bidder, the sourcing process must be undertaken in accordance with the process stipulated in the 'segregation of duties' principles within our 'Engaging Enerven Guideline'. These principles dictate that:
 - Enerven will be treated like any other supplier;
 - the Category Manager (ie procurement staff) undertaking the respective sourcing activity, where Enerven are bidding, cannot also support Enerven in their bid process; and
 - Enerven personnel, and the Category Manager supporting the Enerven bidding process, will not have access to any competitors' tender responses, evaluation and/or negotiations outcomes. The Category Manager will also be located at an Enerven office for the duration of the tender process.

In 2019/20 SA Power Networks did not conduct any competitive tendering processes involving Enerven.

Therefore, procurement staff cannot in performance of their roles, functions or duties, engage in discriminatory conduct contrary to 4.1 of the Guideline.

³ Please refer to section 4.4.2 of our Annual Ring-Fencing Compliance Report.

Metering

With the introduction of metering contestability from December 2017, SA Power Networks ceased providing new metering services.

SA Power Networks' provision of services for existing 'legacy' meters remained unchanged in 2019/20, and a summary is provided below.

Provision of services for legacy meters:

- All staff involved in legacy metering work for SA Power Networks.
- SA Power Networks holds the following AEMO registrations:
 - metering coordinator for type 5-7 meters;
 - meter data agent accreditation for type 5-7 meters.;
 - metering provider accreditation for type 1-6 meters. [Note, there is no metering provider accreditation for Type 7 meters required as these are unmetered metering installations.]
- SA Power Networks, as the initial metering coordinator, continues to operate and maintain type 5-6 meters until they are replaced with a smart meter (by the customer's retailer / metering coordinator).
- SA Power Networks continued to provide meter provider services for approximately 150 type 1-4 metering installations, where SA Power Networks is still assigned as the registered meter provider in the market. These sites are waiting for the metering coordinator to initiate transfer of the meter provider role to an alternate provider. In the 2015-20 regulatory control period, type 1-4 metering services were classified as Negotiated Distribution Services by the AER, with a Ring-fencing waiver in place for SA Power Networks to 30 June 2020. From 1 July 2020, type 1-4 metering services were reclassified as Unregulated Distribution Services.
- Metering technicians are shared staff. They provide meter type testing on type 5-6 meters and maintenance on remaining type 1-4 meters. They also provide contestable meter services under the Enerven brand. Controls are in place to ensure they do not access electricity information (specifically SA Power Networks' metering and other network databases) for these contestable meter services.

4.6. Branding and cross-promotion

We must have independent and separate branding from our affiliates, and not advertise or promote (or cross-advertise or promote) the services of affiliates.

Where affiliates are providing 'other non-electricity services', it is permissible (and efficient) for our staff in question to use uniforms and vehicles that are branded with our logo (rather than that of our affiliate).

4.6.1. Compliance actions

The Enerven brand was developed to ensure it does not resemble the SA Power Networks brand. This ensures that it will not be inferred, by a reasonable person, that SA Power Networks and Enerven are related.

Internal documentation may be co-branded, this includes operational forms and corporate directives, policies and procedures as they are not available externally. Any external marketing documentation including tender documents is not to be co-branded. Call centre scripts (**BC.3**) are in place to ensure that call centre staff who may receive queries about contestable services do not discriminate in favour of Enerven.

Enerven has its own website, which is managed wholly by the Enerven Commercial Team. The Website Governance Procedure (**BC.4**) ensures SA Power Networks' website does not mention Enerven in an advertising or promotional manner. Any social media posts by SA Power Networks are managed by the

Customer Engagement team. There is an approvals process in place for any external communications, to ensure that no promotional material for Enerven is posted by SA Power Networks on our social media pages. These processes have ensured ringfencing compliance on SA Power Networks website and social media platforms.

Other Branding Controls

There are several branding controls that are used where employees are shared between the regulated business and Enerven projects (where allowed under our staff sharing provisions). These include the following:

- Separate Enerven email addresses for individuals, teams or projects. The implementation best suited to the business context is chosen.
- Enerven branded Personal Protective Equipment (PPE) and clothing.
- Enerven branded vehicles.
- Where artefacts require a branded stamp and signature to denote acceptance, an Enerven stamp will be used for Enerven projects.

Enerven Logos

During the 2019/20 period, Enerven had two logos available to use.

The Standard logo does not reference Enerven’s relationship to SA Power Networks. This logo only contains the Enerven design, and is used for branding associated with the delivery of Other Electricity Services (**OES**).



A second logo, below, references Enerven’s relationship to SA Power Networks. This logo was used in 2019/20 for branding associated with the delivery of Other Non-Electricity Services (**ONES**).



In February 2020, the AER wrote to SA Power Networks advising that we should not permit labelling of Enerven vehicles in this manner. We commenced the removal of this badging in March 2020 and completed the removals in June 2020.

A new Enerven logo, below, has since been developed for use in the delivery of OES and ONES. This logo does not reference SA Power Networks.



We have reviewed and updated our internal Branding Guideline (**BC.1**) and Branding Quick Reference Guide (**BC.2**) accordingly. Other controls are discussed below.

4.7. Office and staff registers

We must establish, maintain and keep a register available on our website that identifies the classes of offices to which we have not applied physical separation/co-location obligations; and the nature of the positions (including a description of the roles, functions and duties) of our staff to which we have not applied staff sharing obligations.

4.7.1. Compliance actions

The process to determine appropriate office and staff sharing is described in section 0 above.

The registers (**R.1 & R.2**) are published on our website, and are reviewed on a quarterly basis and updated in accordance with internal procedures.

4.8. Protection of confidential information

We must keep confidential information confidential, and only use it for the purpose for which it was acquired or generated.

A number of our IT systems contain confidential information and ensuring appropriate staff access to these systems has again been an ongoing focus area in 2019/20.

4.8.1. Compliance actions

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. These were discussed in section 2 of this report.

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.

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.

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.

Other developments in 2019/20 to strengthen controls around protection of confidential information are discussed below.

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:

- Reporting frequency and due dates
- Applicable systems for reporting (and team leader responsible)
- Reporting format
- 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

The process has been clearly communicated to all applicable team leaders and managers.

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.

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.

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.

4.9. Disclosure of information

We must not disclose confidential information to any person including Enerven, unless an exemption applies.

4.9.1. Compliance actions

Previous process controls developed, continued in 2019/20. These controls included:

- staff training and Code of Conduct applicable to all staff, ensuring staff are aware of their obligation not to disclose any confidential information to a third party, including Enerven.
- updated eLearning training modules **(G.3)**.
- maintaining the Information Classification, Handling and Management Directive **(I.1)**. The Information Classification and Handling Directive ensures that we have a process for classifying information to ensure it is produced, stored, distributed and destroyed in accordance with the risks related to that information. It also defines how information can be shared with external organisations, and what levels of permission need to be obtained prior to disclosing information to an external organisation. In some cases, the type of information shared may need to be included on an information register, published on the SA Power Networks website in accordance with the AER's ring-fencing guideline.
- Maintaining the Ring-fencing Requests for Information Procedure **(I.3)** which provides specific direction where third-party requests for confidential information are received.
- Maintaining the Information Sharing Guideline **(I.4)** and Information Sharing Quick Reference Guide **(I.5)** which provides staff with an overview of obligations and the process that must be followed when requests for information are received from a third party, including Enerven.

Confidential information is always treated in accordance with privacy obligations, however we consider Enerven as a third party, and treat their requests for confidential information like any other third party. Our Customer Relations Department receive requests for confidential information, these requests will be fulfilled where explicit customer consent is provided.

4.10. Sharing of information

Where we share confidential information with Enerven, or where we disclose confidential information to a legal entity solely for the purposes of research which is then disclosed to Enerven, we must provide access to that information (including the derived information) to other legal entities on an equal basis.

We are only required to provide information to a legal entity if they have requested to be on our information register for that information; and where they are competing or seeking to compete with

Enerven in relation to contestable electricity services. Sharing obligations do not apply if we disclose information where an exemption applies.⁴

We must establish and make available on our website an information sharing protocol, and where we disclose information we must do so on terms and conditions that require the other legal entity to comply with ‘protection of confidential information’ and ‘disclosure of information’ obligations.

4.10.1. Compliance actions

We have established and published an Information Sharing Protocol (**Protocol**) (**I.8**) which sets out the process for legal entities to follow in respect of being added to our Information Register. The Protocol includes the circumstances required for a valid request, and a link to our information register request web form (**I.9**). The Information Protocol and information register request web form are located on our website, under About Us>Regulatory information.

We have developed a specific non-disclosure agreement (**I.10**) which we will provide to any third party when we are required to provide confidential information. The agreement includes ring-fencing obligations they must adhere to as part of the disclosure. Confidential information will not be provided without these terms being officially agreed.

4.11. Information register

We must establish, maintain and keep a register of all legal entities (including Enerven) who provide contestable electricity services, who request access to confidential information, and must make the register publicly available on our website.

4.11.1. Compliance actions

We have developed an Information Sharing Register (**I.7**) which is published on our website. Our internal Information Sharing Procedure (**I.3**) specifies when and what details we must add information to the register. The process includes regular (daily) checking of our mailbox to ensure information requests are captured.

To date, we have received no requests from third parties to be added to our Information Register.

4.12. Conduct of service providers

We must ensure that any new or varied agreement between us and a service provider requires the service provider to not act contrary to the Guideline’s requirements. We must also not directly or indirectly encourage or incentivise a service provider to engage in conduct contrary to the Guideline.

4.12.1. Compliance actions

Formal contract amendments were issued to suppliers in 2017 which included additional clauses required by the ‘conduct of other service providers’ Guideline provisions⁵. Purchase orders were transferred to Enerven where required, and suppliers were notified of this via a letter (SP.3).

⁴ AER Ring-fencing Guideline 4.3.3 lists the circumstances where we can disclose information without the need to provide it equally to other legal entities.

⁵ AER Ringfencing Guideline 4.4.1, A DNSP 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: clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP.

New supply agreement templates (terms and conditions) are in place for any new or amended contractual arrangements. The new templates include the obligations required by the Guideline for other service providers. For example, our standard agreement for the supply of services to SA Power Networks (**SP.1**) includes a new section 29 ‘Ring-fencing compliance’.⁶

A letter (**SP.4**) was issued to all suppliers in early 2018 providing information on our obligations under the Guideline and the role of the Procurement branch as a shared corporate service function to all parts of the SA Power Networks group, including Enerven.

4.13. Waiver register

The Guideline allows us to apply for waivers in respect of the legal and functional separation obligations. We must also establish and maintain a register of all waivers that are granted.

We have been granted three waivers in respect of the following:

- A temporary generation project we are undertaking on behalf of the SA Government.
- Our current Negotiated Distribution Services, all of which will be reclassified as Direct Control Services from 1 July 2020.
- Existing construction and maintenance contracts which if transferred to Enerven could incur significant tax liabilities.

4.13.1. Compliance actions

We have developed a register to list the waivers granted to us by the AER, which is published on our website (**W.1**). The register details the Guideline obligations to which the waiver applies, and the terms and conditions of the waiver. The register was updated in July 2020 in respect of changes to the Temporary Generation waiver (refer below).

Our Ringfencing Compliance Procedure (**C.1**) lists our current waivers and expiry dates. Part of this Procedure is to review any waiver three months prior to expiration, and action accordingly. Our existing waivers are also set out below.

Temporary Generation Waiver

In April 2017 we applied for a waiver from legal and functional separation, to enable us, on behalf of the SA Government to design, construct, commission and operate a temporary generation project. The AER approved our waiver application, and the conditional waiver was not expected to be required beyond the end date of 1 June 2020, as the requirements under the contract with the SA Government would conclude by that time. The Government has entered into separate new lease arrangements for the two generation sites but there have been delays with the commencement of the new operators. The SA Government therefore requested SA Power Networks seek extensions for its regulatory approvals (state licensing and ring-fencing waiver) for these two sites to December 2020 and June 2021 respectively. In May 2020, the AER granted a waiver variation aligning to these revised dates.

Negotiated Distribution Services Waiver

In August 2017 we applied for a waiver for our Negotiated Distribution Services from functional separation obligations, until 30 June 2020. The AER approved our waiver application, as set out in their Decision⁷ in December 2017.

⁶ (a) To the extent that the Ring-Fencing Guideline applies to the provision of any Services or Goods under this Agreement, the Supplier will comply with clauses 4.4,4.2.1, 4.2.2, 4.3.3 and, in relation to the Supplier’s branding, clause 4.2.3 of the Ring-Fencing Guideline as if the reference in such clauses to “DNSP” was a reference to the Supplier.

⁷ AER Decision ‘DNSP applications for waivers from the Electricity Distribution Ring-fencing Guideline’ December 2017.

In June 2020, the AER's Final Decision for SA Power Distribution Determination 2020 to 2025 reclassified most of our Negotiated Distribution Services to Direct Control Services for the 2020-2025 regulatory period, effective 1 July 2020. The exception is type 1-4 metering services, which have been reclassified as Unregulated Distribution Services.

As at 1 July 2020, SA Power Networks continued to be assigned as the meter provider for 144 type 1-4 metering installations, with functional separation in place.

Limited services are provided to these installations, with SA Power Networks only attending the site if there is a fault with the installation. This work, where required, is completed by Metering Technicians, who are listed on SA Power Networks' staff sharing register.

Where costs are incurred, SA Power Networks continues to capture and isolate the direct costs incurred in providing these services and allocates costs to these services in accordance with the SA Power Networks' AER approved Cost Allocation Method.

The metering coordinator has overall responsibility for the provision of metering services, including the assignment of the meter provider role. We are continuing to work with these metering coordinators to encourage them to transfer these sites to a non-SAPN meter provider as soon as practicable.

The Negotiated Distribution Services waiver lapsed on 30 June 2020 and, in light of the service reclassification effective from 1 July 2020, a waiver for these services is no longer required.

Existing Construction and Maintenance Contracts Waiver

In October 2017 we applied for a waiver for 'other services' (maintenance and construction contracts) from legal separation. This waiver applied to 20 contracts which were not novated from SA Power Networks to Enerven. The waiver was due to expire on 30 September 2018. On 3 September 2018, we lodged a waiver extension application in relation to 21 existing maintenance and construction contracts for which we were unable to obtain a Private Binding Ruling from the Australian Taxation Office. The AER approved the waiver extension on 28 September 2018, on the condition that we notify the AER 30 days prior to entering into an extension of any of the relevant contracts. This waiver will remain in place until June 2021. The Waiver Register is on the SA Power Networks website under About Us>Regulatory information.

4.14. Compliance and enforcement

To ensure ongoing compliance with the Guideline, we must

- establish and maintain appropriate internal procedures, noting that the AER may require us to demonstrate the adequacy of these procedures upon reasonable notice;
- provide annual compliance reports by 31 October each year, accompanied by an independent compliance assessment; and
- report material compliance breaches within five business days of becoming aware of a breach.

4.14.1. Compliance actions

Several internal procedures and other documents are maintained to support ring-fencing compliance. These documents are identified and referenced throughout this report, and summarised in Appendix A.

The Ring-fencing Compliance Procedure (C.1) provides our internal process for preparing the Annual Compliance Report, and the independent compliance assessment (C.3). It includes a timeline for engaging with the independent assessor, through to report completion and submission. This process is managed by the Regulation Branch.

Our Breach Management Governance Framework (**B.1**) ensures that breaches reported to Regulation Branch are appropriately considered and managed. Staff must report any potential breach of the Guideline as soon as they become aware. The Breach Reporting Quick Reference Guide (**B.2**) provides all staff with guidance including what they must do and specific contact details for Regulation staff who can advise further action as required. Material breaches will be reported to the AER within the required timeframe, and all breaches whether material or immaterial are reported in the Annual Compliance Report.

5. Transactions between the DNSP and affiliated entities

For the period 1 July 2019 to 30 June 2020, SA Power Networks contracted one of its affiliated entities, Enerven Energy Infrastructure Pty Ltd (Enerven), to perform various capital and operating works for its distribution network business. Services have been completed either in accordance with applicable works or service agreements between SA Power Networks and Enerven.

Transactions between Enerven and SA Power Networks are captured against individual capital and operating job/work orders in SAP, SA Power Networks' integrated business management system. These job/work orders capture costs for distinct items of work which, for example, may be job specific or program specific.

Job/work orders are assigned an SA Power Networks' functional area when created in SAP. They are assigned to one functional area only. Functional areas are the link to identify regulatory costs as they measure the costs of different lines of business for each of SA Power Networks' distribution service types.

Specific General Ledger accounts in SAP enable the reporting of individual job/work orders (transactions) generated and charged by Enerven Energy Infrastructure Pty Ltd to SA Power Networks grouped by functional area. The table at confidential Appendix 1 summarises the outputs of this report.

6. Attachments

Attachment 1: CONFID Transactions between the DNSP and affiliated entities

Attachment 2: Deloitte Independent Assessment Report

Attachment 3: Confidentiality Claim

7. Appendix A – Key SA Power Networks Ring-fencing compliance documents

Document Reference	Document Name (these are all internal SAPN documents, unless otherwise stated)	Purpose/Description
GENERAL		
G.1	Ringfencing Training Module (eLearn), including Depot visits	Provides all staff (SAPN and Enerven) with an overview of ringfencing and associated obligations. The training is mandatory for existing and new staff. (Across all staff the eLearn module is 99.7% complete.)
G.2	Other training activities (Leaders presentations; Bulletin releases (QRGs); specific guidance to individual areas to address concerns / questions)	Provides further guidance to staff and managers.
G.3	Code of Conduct (and Code of Conduct eLearn training)	Provides all staff with examples of the standards of behaviour expected of them. Includes a section on confidentiality and the proper handling of information.
G.4	Ringfencing Compliance Directive	Contains information relating to the responsibilities of all staff and contractors to appropriately adhere to the AER Ringfencing Guideline.
LEGAL SEPARATION		
L.1	Registration and Licensing of SA Power Networks	SA Power Networks is licensed as a Distribution Network Service Provider. The license can be viewed on the ESCoSA website .
ESTABLISH AND MAINTAIN ACCOUNTS		
F.1	Consolidated Finance Blueprint	Documents financial processes incorporating changes required to comply with the Ringfencing Guideline.
F.2	Cost Allocation Method (CAM)	Sets out the Cost Allocation Method adopted in SA Power Networks Regulatory reporting. The CAM was updated to incorporate changes required by ringfencing and published on the SAPN website.
F.3	Provision of Inter-Company Labour Services	Defines the accounting treatment for labour services provided between SA Power Networks' entities, including those provided to Enerven by employees that normally undertake regulated work.
F.4	Work Order Quick Reference Guide	Provides guidance to staff on how to accurately allocate their time in a range of scenarios.
F.5	INTENTIONALLY LEFT BLANK	
F.6	AER Shared Asset Guideline	Provides the rules and mechanism for shared assets.
F.7	SAPN – Enerven/Enerven - SAPN Service Agreements	Formal service agreements for supply of services between SAPN and Enerven/Enerven and SAPN.
F.8	Shared Assets Quick Reference Guide	Provides staff with scenarios where sharing of assets is allowed under ringfencing (and the Shared Asset Guideline).

Document Reference	Document Name (these are all internal SAPN documents, unless otherwise stated)	Purpose/Description
OBLIGATION TO NOT DISCRIMINATE		
D.1	Shared Services Engaging Enerven Guideline	Provides information and advice on how to engage with Enerven when procuring goods and/or services on behalf of SA Power Networks' regulated business.
D.2	Procurement Directive	Promotes procurement practices that (among other things) maintain ethical conduct with consideration to probity and accountability.
D.3	Strategic Sourcing Framework	Provides guidance and structure for undertaking sourcing activities.
PHYSICAL SEPARATION/CO-LOCATION		
O.1	Office Sharing Guideline	General guideline to assist staff to understand their responsibilities regarding the sharing of locations/offices between SA Power Networks and Enerven.
O.2	Office Sharing Quick Reference Guide	A quick reference guide to assist staff to understand their responsibilities regarding the sharing of office locations between SA Power Networks and Enerven.
O.3/S.5	Office/Location Sharing Analysis	Data extracted from enterprise system SAP to determine and analyse locations and where they are shared.
STAFF SHARING		
S.2	Staff Sharing Guideline	General guideline to assist staff to understand their responsibilities regarding the sharing of staff between SA Power Networks and Enerven.
S.3	Staff Sharing Quick Reference Guide	A quick reference guide to assist staff to understand their responsibilities regarding the sharing of staff between SA Power Networks and Enerven.
S.4	HR Secondment Checklist	
O.3/S.5	Staff Sharing Analysis	Data extracted from enterprise system SAP to determine and analyse staff positions and where they are shared.
S.6	Network Innovation Centre (NIC) Quick Reference Guide	
BRANDING AND CROSS-PROMOTION		
BC.1	Branding Guideline	General guideline to assist staff to understand obligations in relation to branding, advertising, and promotion/ cross-promotion.
BC.2	Branding Quick Reference Guide	A reference for staff which provides examples and case studies in relation to branding, advertising and promotion/cross-promotion.
BC.3	Customer Relations Call Centre Scripts (Updated)	Provides call centre staff with standard scripts for two scenarios: <ol style="list-style-type: none"> 1. When the call centre provide an overflow function for Enerven; and 2. When customers call to enquire about contestable services.
BC.4	Website Governance procedure	

Document Reference	Document Name (these are all internal SAPN documents, unless otherwise stated)	Purpose/Description
OFFICE AND STAFF REGISTERS		
R.1	Staff Sharing Register	Provides the nature of the positions (including a description of the roles, functions and duties) of our staff to which we have not applied staff sharing obligations due to a valid exemption.
R.2	Office Sharing Register	Provides the classes of offices to which we have not applied physical separation/co-location obligations due to a valid exemption.
INFORMATION ACCESS & DISCLOSURE		
I.1	Information Classification, Handling and Management Directive (Updated)	The purpose of this directive is to ensure that we have a process for classifying information to ensure it is produced, stored, distributed and destroyed in accordance with the risks related to that information. It also defines how information can be shared with external organisations, and what levels of permission need to be obtained prior to disclosing information to an external organisation. In some cases, the type of information shared may need to be included on an information register, published on the SA Power Networks website in accordance with the AER's ring-fencing guideline.
I.2	INTENTIONALLY LEFT BLANK	
I.3	Requests for Information Procedure	To guide SA Power Networks Group personnel employed by Utilities Management and working in the regulated business, including contractors, in the provision of confidential electricity information to requestors external to SA Power Networks. This includes requests from affiliates (ie Enerven).
I.4	Information Sharing Guideline	General guidelines to assist staff in understanding responsibilities regarding the sharing of information between SA Power Networks and other entities, including our affiliate (ie Enerven).
I.5	Information Sharing Quick Reference Guide	A quick reference guide for all staff to assist in identifying information sharing obligations, exemptions, and process requirements.
I.6	IT Application Access Work Instruction	Provides IT Service Desk staff and application owners the process to follow where staff working primarily for Enerven request access to a system containing confidential information.
I.7	Information Sharing Register	The register is currently blank, but will be used to record requests to be added to the register as required.
I.8	Information Sharing Protocol	The protocol outlines the circumstances under which an entity can request to be added to the Information Sharing Register, and the process for submitting a request.
I.9	Information Sharing Web form	A form to enable third parties to submit a request to be added to our Information Register. The form is available on our website .
I.10	Information Sharing Terms and Conditions (Confidentiality agreement)	A specific confidentiality agreement for ring-fencing. Where we share confidential

Document Reference	Document Name (these are all internal SAPN documents, unless otherwise stated)	Purpose/Description
		information with a third party, they must agree to these terms prior to the information being provided.
SERVICE PROVIDERS		
SP.1	Standard Terms and Conditions (Updated)	The terms and conditions issued for varied or new agreements now include the ringfencing provisions that service providers must comply with.
SP.2	Supplier Contract Amendment Letter	Provides existing suppliers with information about ringfencing and their obligations, along with resultant amendments to their contract.
SP.3	PO Transfer Notification Letter	Provides existing suppliers with information about ringfencing and their obligations, along with resultant amendments to their purchase order/s.
SP.4	SA Power Networks' Relationship to Enerven communication	Provided suppliers information on our requirements under the Ring-fencing Guideline, and the role of the Procurement team as a shared service function to all parts of the SA Power Networks group (including Enerven).
WAIVERS		
W.1	Waiver Register	A register of waivers approved by the AER which is published on the SAPN website.
COMPLIANCE AND ENFORCEMENT		
C.1	Regulation Ringfencing Compliance Procedure	Provides the ringfencing procedures managed by the Regulation branch, including breach reporting, annual compliance reporting, updating of registers, and internal quarterly reporting.
C.2	Regulation Ringfencing Quarterly Internal Compliance Questionnaire	Confirms obligations with General Managers and Level 3 Managers and checks for compliance and appropriate controls.
C.3	Annual Compliance Report and Independent Assessment	As required by Guideline section 6.2.
B.1	Breach Management Governance Framework	Provides the framework for breach reporting, including treatment of material breaches and the involvement of the Breach Management Committee.
B.2	Breach Reporting Quick Reference Guide	Guides staff on the breach reporting process and highlights the importance of reporting any potential breach.