

Attachment C.1

SAPN_Banarra Stakeholder Engagement Assessment - Final Gap Analysis Report

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Stakeholder Engagement Assessment

Final Gap Analysis Report

SA Power Networks



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Disclaimer

To the best of Banarra's knowledge, the information contained in this report is accurate. The findings in this report rely in part on the accuracy of the data provided by interviews and document reviews. It was prepared by Banarra and is based on interviews, meetings and review of evidence undertaken during a site visit in December 2014. Banarra is not responsible for any additional information not disclosed in the development of this report. See Section 1.2 of this report for full details of the methodology applied.

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Executive Summary

Banarra was commissioned by SA Power Networks to conduct an assessment of their approach to stakeholder engagement under the TalkingPower customer engagement program for the 2015–20 Regulatory Proposal. The assessment involved a gap analysis of the TalkingPower program against good practice principles for stakeholder engagement as articulated in the following key guidelines and standards, among others:

- Australian Energy Regulator Consumer Engagement Guideline (AER Guideline);
- AccountAbility AA1000 AccountAbility Principles Standard; and
- AccountAbility AA1000 Stakeholder Engagement Standard.

The assessment reviewed SA Power Networks' management approach to stakeholder engagement for the TalkingPower program against both the principles and process requirements for stakeholder engagement outlined within the above-mentioned guideline and standards.

The gap analysis found that the design of SA Power Networks' TalkingPower program was comprehensive and largely met both the principles and process requirements, with some gaps. Key strengths of the TalkingPower program included: the use of collaborative, accessible and timely engagement mechanisms; the transparent disclosure and reporting of key information and consultation outputs to stakeholders; and a clear commitment by SA Power Networks to using the consultation outputs to assist its decision-making and to inform the design of the 2015–20 Regulatory Proposal.

Gaps identified relate primarily to aspects of the TalkingPower program that were designed or completed prior to the publication of the AER Guideline in November 2013. For example, during the design phase, formal, documented processes were only partially established to monitor, evaluate and review the stakeholder engagement program and the quality of engagement. Banarra notes, in its experience, that these aspects are typically the last to be comprehensively addressed by those with maturing stakeholder engagement management systems.

Banarra has developed comprehensive recommendations (detailed in this report) to address the gaps and meet good practice principles for future Regulatory Proposal consultation processes. Furthermore, Banarra has provided a set of recommendations to assist SA Power Networks to deliver leading practice stakeholder engagement.

Contents

Executive Summary	3
1. Introduction	5
1.1 Objectives and scope	5
1.2 Assessment methodology	5
1.3 Report structure	6
2. Assessment Findings – Stakeholder Engagement Process	7
2.1 Commitment and policy	8
2.2 Governance and decision making	8
2.3 Priorities.....	9
2.4 Delivery	10
2.5 Results.....	11
2.6 Evaluation and review	12
3. Assessment Findings – Stakeholder Engagement Principles	13
3.1 Accessibility and inclusivity	14
3.2 Materiality	15
3.3 Clarity, accuracy, timeliness and responsiveness.....	16
3.4 Transparency	16
3.5 Measurability	17
4. Additional Recommendations	18

1. Introduction

In December 2014, Banarra was commissioned by SA Power Networks to conduct an assessment of their approach to stakeholder engagement under the TalkingPower consultation program for the 2015 – 20 Regulatory Proposal (Regulatory Proposal). The assessment involved a gap analysis of the TalkingPower consultation program against good practice principles for stakeholder engagement.

This Gap Analysis Report (the Report) presents an overview of Banarra's key assessment findings and recommendations for future engagement activities.

1.1 Objectives and scope

The objectives of the stakeholder engagement assessment were to:

1. Undertake a gap analysis to establish SA Power Networks' current level of alignment to good practice principles for stakeholder engagement (for the 2015–20 Regulatory Proposal); and
2. Develop recommendations to assist SA Power Networks close identified gaps, and help develop a consistent, leading-practice approach to managing its stakeholder engagement activities within its broader stakeholder management framework.

The scope of this project was limited to a review of SA Power Networks' management approach to stakeholder engagement as outlined in its TalkingPower program, against good practice, which for the purposes of this assessment refers to practices that align with internationally-recognised stakeholder engagement guidelines and standards. The TalkingPower program was therefore assessed using criteria primarily derived from the following:

- Australian Energy Regulator (AER) Consumer Engagement Guideline (AER Guideline);
- AccountAbility AA1000 AccountAbility Principles Standard (AA1000APS); and
- AccountAbility AA1000 Stakeholder Engagement Standard (AA1000SES).

The criteria were supplemented with the following at SA Power Networks' request:

- Letters of advice from the Consumer Challenge Panel (CCP) to the AER regarding the effectiveness of Consumer Engagement by network businesses (gas and electricity); and
- IAP2 Public Participation Spectrum.

Leading practice for the purposes of this assessment refers to practices that meet and go beyond the core principles or guidance of the above guidelines and standards.

Banarra did not evaluate the execution or performance of engagement activities, or review the company's broader corporate stakeholder engagement program. However, in conjunction with the provision of recommendations for working towards leading practice, this report includes a number of recommendations for the expansion of good-practice processes across the business as a whole where identified in the course of the assessment.

1.2 Assessment methodology

Within the above scope, Banarra's assessment methodology included:

- Consolidating the interpreted requirements of the above-mentioned standards into a single set of assessment criteria (see Table 1), which primarily focused on the requirements of the AER Guideline;

- Reviewing internal documentation and external communications relating to the design and implementation of the TalkingPower program;¹
- Interviewing members of SA Power Networks' management, stakeholder engagement team and TalkingPower project team, as well as consultants contracted to deliver aspects of the TalkingPower program;²
- Visiting SA Power Networks' head office to test the reliability, completeness and accuracy of reviewed documentation;
- Analysing information gathered in the document review and interviews to test the extent to which the design and implementation of TalkingPower addressed good practice principles for stakeholder engagement; and
- Verifying that the assessment results and consequent report appropriately communicate the nature and extent of SA Power Networks' adherence to the good practice principles of stakeholder engagement.

The assignment delivered two Independent Statements of Findings. This Report provides additional detail on those findings and recommendations.

Table 1. Assessment Criteria

Rating Definitions	
High	Meets or exceeds requirements
Medium	Mostly meets requirements, with some gaps
Low	Does not meet requirements
N/A	Not assessed

1.3 Report structure

The findings within this Report are presented as follows:

- Chapter 2 details findings of the assessment against the criteria for stakeholder engagement processes, e.g. evaluation;
- Chapter 3 details findings of the assessment against the principles for good practice stakeholder engagement, e.g. inclusivity; and
- Chapter 4 details recommendations to help integrate good practice principles within SA Power Networks' broader stakeholder management framework and work towards leading practice stakeholder engagement.

While the issues and requirements detailed in the CCP letters of advice and the IAP2 Public Participation Spectrum were incorporated into the assessment criteria, they did not form the primary driver for this assessment. As such, this report presents detailed assessment findings against the AER Guideline and AccountAbility standards only.

¹ Over 40 documents were assessed, including corporate engagement policies, planning and design documents, engagement and workshop records, educational pieces, and information and bulletins disclosed to stakeholders.

² Interviewees were: SA Power Networks' General Manager of Corporate Strategy; former General Manager of Customer Service; Head of Regulation; Stakeholder Relations Manager; Stakeholder Engagement Stream Lead; former Stakeholder Engagement Stream Lead; and a consultant from Deloitte.

2. Assessment Findings – Stakeholder Engagement Process

The core process requirements for stakeholder engagement, as defined in the relevant standards, are categorised under six elements: commitment and policy; governance and decision making; priorities; delivery; results; and evaluation and review. The TalkingPower program largely met these process requirements of the AER Guideline, AA1000SES and AA1000APS, with some gaps identified.

Key strengths of the program in relation to the stakeholder engagement process included:

- A strong corporate commitment towards good practice stakeholder engagement;
- The use of collaborative, accessible and timely engagement mechanisms;
- The use of consultation outputs to influence decision making and inform the design of the Regulatory Proposal;
- Comprehensive program planning and delivery of engagement activities; and
- The provision of sufficient resources to ensure internal staff have the required expertise to undertake engagement and to build the capacity of stakeholders to participate in engagement processes.

The program, however, based on our expert interpretation of international best practice frameworks and the intent of the AER Guideline, did not meet all process requirements. Key gaps identified relate primarily to aspects of the program designed or completed prior to the publication of the AER Guideline. For example, formal, documented processes during the design and monitoring phases were only partially established. Processes, in particular, could be improved regarding stakeholder identification and mapping, and in the establishment of key indicators and processes to monitor, evaluate and review the stakeholder engagement program and the quality of engagement. Banarra notes, in its experience, that these aspects are typically the last to be comprehensively addressed by those with maturing stakeholder engagement management systems.

The assessment findings below (Table 2) are presented for each of the core process requirements for stakeholder engagement planning and implementation.

Table 2. Summary Dashboard – Stakeholder Engagement Process

Element	Criteria Sources	Summary Rating
Commitment and policy	AA1000SES/AER Guideline	H
Governance and decision making	AA1000SES/AER Guideline/CCP Letters of Advice	H
Priorities	AA1000SES/AER Guideline/CCP Letters of Advice/IAP2 Public Participation Spectrum	M
Delivery	AA1000SES/AER Guideline/CCP Letters of Advice	H
Results	AA1000SES/AER Guideline/CCP Letters of Advice	H
Evaluation and review	AA1000SES/AER Guideline/CCP Letters of Advice	M

2.1 Commitment and policy

At a policy level, the AER Guideline asks that network providers *involve consumers in setting priorities and developing the engagement strategy* or approaches. The AA1000SES amplifies this by requiring that companies *set a strategy for stakeholder engagement*, and that stakeholder engagement be *embedded in the culture and core functions of the organisation*. To achieve this, the AA1000SES requires that companies commit to the AccountAbility principles of stakeholder engagement, namely the principles of inclusivity, materiality and responsiveness, in specific policy, vision or value statements. The AA1000SES also states that companies should commit to integrating these same principles within company governance, strategy and operations.

Key findings and recommendations

Overall, the TalkingPower program met, and in some aspects exceeded, the AER Guideline and AA1000SES criteria for commitment and policy.

The key strength of the program was a strong, public commitment to implementing good practice principles for stakeholder engagement, as defined by multiple frameworks including the AER Guideline, AA1000SES and IAP2 Public Participation Spectrum. SA Power Networks followed through on this commitment with the integration of stakeholder engagement priorities as a core component of the company's Strategic Framework, the establishment of a formal strategy for TalkingPower consultation (as demonstrated through internal planning documents) and ongoing consultation with the SA Power Networks Customer Consultative Panel to bring the views of the company's consumers into its day-to-day business activities.

However, while consumer views were considered when setting priorities for the TalkingPower consultation program (through the review of customer research and survey documents), SA Power Networks did not directly involve consumers and other stakeholders in determining engagement priorities. Consumers and stakeholders were also not directly involved in the initial design of the TalkingPower program, although stakeholder views were taken into consideration after the program was established.

While no material gaps were identified, Banarra recommends the following action to meet good practice principles for future Regulatory Proposal consultation processes:

1. *Involve consumers and other stakeholders directly in the upfront design of future engagement processes* – Prior to future TalkingPower consultation processes, SA Power Networks could consider directly involving consumers, stakeholders or their representatives in the initial design and planning stages, and take into account stakeholder views captured during engagement for the 2015–20 Regulatory Proposal. This includes partnering and consulting with stakeholders to identify priorities, test the consultation timeline, develop approaches and identify the appropriate engagement mechanisms. This will enable SA Power Networks to generate stakeholder buy-in to the process (through enabling a high level of participation and empowerment of consumers and stakeholders as per the IAP2 Public Participation Spectrum) and to develop a more tailored and accessible engagement approach.

2.2 Governance and decision making

The AER Guideline asks that service providers *demonstrate a high level of support from within the business to undertake stakeholder engagement* as part of business-as-usual activities, and *ongoing and proactive CEO and Board endorsement* of and involvement in stakeholder engagement activities.

The AA1000SES requires that this commitment be demonstrated through the *integration of stakeholder engagement into governance and those decision-making processes that may have material impacts on*

stakeholders. This can be demonstrated through stakeholder engagement being embedded in all relevant policies and/or processes for strategy development, sign off and operations management.

Key findings and recommendations

Overall, the TalkingPower program met, and in some aspects exceeded, the AER Guideline and AA1000SES criteria for governance and decision making.

The key strength of the program was, as above, a strong, visible commitment to implementing good practice principles for stakeholder engagement. According to interviews and documents reviewed, there was a strong desire at all levels in the company to embed stakeholder engagement as a core component of company-wide business-as-usual activities. There was proactive support and involvement from the SA Power Networks Board and senior management to deliver the TalkingPower program in a manner consistent with good principles of engagement, and to integrate consultation outcomes and learnings into broader business decision-making processes.

No material gaps were identified.

2.3 Priorities

The AER Guideline states that setting priorities is the first step in developing a stakeholder engagement strategy. The AER Guideline therefore expects that service providers *identify consumer cohorts and their views, identify issues, and set priorities for engagement with consumers* (that is, develop a process to analyse and understand consumers' needs as part of business planning), recognising that consumers may have diverse interests.

The AA1000SES states that successful engagement depends on understanding why the engagement is required (setting a purpose), what to engage on (setting a scope and communicating boundaries of information disclosure), and who needs to be involved in the engagement (identifying stakeholders to be engaged and the internal resources needed to undertake engagement). In practical terms, this involves *undertaking a stakeholder identification and mapping process, and determining the appropriate methods and levels of engagement required* for each consumer cohort or stakeholder group.

Key findings and recommendations

The TalkingPower program mostly met the AER Guideline and AA1000SES criteria for priorities, with some gaps.

The strengths of the program were the clearly designed and communicated purpose, goals and scope, and a strong planning process that clearly demarcated internal ownership responsibilities and identified the resources necessary to undertake engagement. SA Power Networks utilised additional external expertise where third party input would be seen to enhance the transparency, quality and governance of the engagement program, or where internal resources were insufficient. The design and execution of engagement methods, such as consultation workshops and the Willingness-to-Pay research, were also considered positive attributes.

While, however, a process was undertaken to identify the stakeholders to be engaged, building on data already held internally, SA Power Networks did not use a formal or documented process (considered to be part of good practice principles) for stakeholder identification, profiling and mapping.

Banarra recommends the following actions to meet good practice principles for future Regulatory Proposal consultation processes:

2. *Formalise a documented stakeholder identification and mapping process* – Given the sizeable presence of SA Power Networks and the diverse range of consumers and other stakeholder groups across the State, SA Power Networks should consider formalising its process to identify

and understand its stakeholders and their current and long term views and expectations. A formal process for stakeholder identification and mapping, that captures a broader range of stakeholder characteristics, will provide SA Power Networks and its stakeholders with greater confidence in the inclusiveness and completeness of engagement processes, and support consistency through the establishment of a defensible, replicable process. Actions should involve:

- Expanding the range of stakeholder groups considered;
- Expanding existing processes to profile, map and segment customers using a broader range of stakeholder characteristics and interests;
- Expanding existing processes to identify stakeholder capacity and capability to engage, considering stakeholders' views regarding how they are engaged and on what issues;
- Identifying the resources required to support stakeholders to engage; and
- Formally reviewing existing stakeholder profile data specifically for the purpose of Regulatory Proposal consultation.

3. *Involve consumers and other stakeholders directly in the upfront design of future engagement processes* - See Recommendation #1, Section 2.1.

2.4 Delivery

The AER Guideline states that the AER expects service providers to *address the identified priorities* via a *robust and thorough program of consumer engagement*. Key criteria include, among others:

- Ensuring internal staff are adequately trained to undertake engagement and stakeholders have the resources, capacity and knowledge to engage effectively;
- Having forthright, transparent two-way communications arrangements and feedback processes during and after engagement activities;
- Disclosing information that is material and sufficient for consumers to make an assessment;
- Reporting developments and outcomes regularly, factually and promptly; and
- Evaluating engagement tools and mechanisms regularly.

The AA1000SES builds on these requirements and additionally requires that companies:

- *Prepare for engagement* by identifying and preparing for engagement risks;
- *Disclose sufficient information* prior to, during and after engagement so that stakeholders understand the purpose and scope of engagement, what they are expected to contribute and how their input will be used; and
- *Provide access to a grievance management mechanism*.

Key findings and recommendations

Overall, the TalkingPower program met, and in some aspects exceeded, the AER Guideline and AA1000SES criteria for delivery.

The strengths of the program were:

- A comprehensive internal planning and risk management process that identified and made available the necessary resources, including external expertise, to undertake engagement;
- The use of strong capacity-building mechanisms and multiple engagement methods which enabled the effective and informed participation of stakeholders and prevented the exclusion of stakeholders. This process used two-way communication arrangements and provided opportunities for stakeholders to collaborate and be involved in the design of the Regulatory Proposal; and
- Timely and transparent disclosure of relevant information to stakeholders, including of both positive and negative consultation inputs.

While SA Power Networks did undertake a stakeholder identification and mapping process, it was not subject to a formal review to test the completeness of identified stakeholder groups for the TalkingPower program, and did not include a robust formalised identification of stakeholders' capacity and capability to engage, as consistent with good practice guidance. Nor was there a process in place for the systematic evaluation and review of the engagement approach, its tools and methodologies. Additionally, while the external grievance mechanism was made available to participating stakeholders, it was not clearly disclosed to stakeholders at the beginning of the engagement process. Banarra notes, in its experience, that these aspects are typically the last to be comprehensively addressed by those with maturing stakeholder engagement management systems and that these processes were designed prior to the publication of the AER Guideline.

Banarra recommends the following actions to meet good practice principles for future Regulatory Proposal consultation processes:

4. *Formalise a documented stakeholder identification and mapping process* – See Recommendation #2, Section 2.3. This process should include a formal component to identify stakeholders' capacity and capability to engage, and the resources required to support them to engage, in order to better tailor engagement processes.
5. *Establish a formal process for the systematic evaluation and review of engagement tools* – SA Power Networks did not have in place a process for the monitoring, evaluation and review of the effectiveness of the engagement approach and its tools (although stakeholder feedback was collected throughout the program). Banarra notes that this was designed prior to the publication of the AER Guideline, however during future engagements SA Power Networks could consider establishing a formal process to evaluate the engagement approach and methodologies on an ongoing basis, the learnings of which could be used to adapt or modify the approach if necessary. This would enable continuous improvement of engagement tools and processes.
6. *Clearly disclose the grievance management mechanism* – While a grievance management mechanism was in place, the process was not clearly communicated to stakeholders. SA Power Networks could consider disclosing and communicating this process to stakeholders at the beginning of future engagement processes.

2.5 Results

The AER Guideline expects service providers to *articulate the outcomes of their consumer engagement processes and the method used to measure the success of those processes*. This involves reporting the engagement outputs and measures of success, and disclosing how consumer input affected business decision making.

The AA1000SES also expects companies to report and disclose, on an ongoing basis, the engagement process, stakeholder concerns and expectations, and engagement outputs, and to *develop an action plan articulating how the company will respond to engagement outputs*.

Key findings and recommendations

Overall, the TalkingPower program met, and in some aspects exceeded, the AER Guideline and AA1000SES criteria for results.

The strengths of the program were the transparent disclosure of the engagement process and results including disclosure of how stakeholder input was incorporated into the Regulatory Proposal, and the responsiveness to stakeholder concerns on an ongoing basis throughout the program.

Consumer and stakeholder input was reported back to participating stakeholders throughout the program through multiple avenues, such as publication on the TalkingPower website, and disclosed in the Regulatory Proposal. However, while SA Power Networks did collate and respond to stakeholder concerns

and issues, they did not develop an action plan that formally captured these concerns and articulated how they would be responded to, as required by AA1000SES.

Banarra recommends the following actions to meet good practice principles for future Regulatory Proposal consultation processes:

7. *Develop an action plan to capture and respond to stakeholder inputs* – In future Regulatory Proposal consultation processes, SA Power Networks could consider developing an action plan (or other process, in line with the AA1000SES requirements) to formally capture stakeholder concerns and input on an ongoing basis throughout the consultation period. The plan would articulate how and when the company will respond to these concerns, inputs and issues (whether during the consultation period or in the Regulatory Proposal) and delegate roles, actions and timeframes. This would provide SA Power Networks with a process to help ensure a timely and formal response to all stakeholder input.

2.6 Evaluation and review

The AER Guideline expects service providers to *periodically evaluate and review the effectiveness of their consumer engagement processes*, using a robust process to identify and address shortcomings, improve transparency and accountability, and encourage continual improvement. Criteria include, among others, a process of periodic (at least annual) review of the engagement strategy and processes, a thorough evaluation of engagement methods, the *development of key performance indicators* at the beginning of the engagement process, and a process to *respond to evaluation and review results* through the resetting or realignment of the engagement process.

The AA1000SES requires that companies *systematically monitor and evaluate the overall quality of the stakeholder engagements*, including individual engagements, based on the AA1000APS principles of inclusivity, materiality and responsiveness, and other AccountAbility criteria. This involves monitoring and evaluating the commitment to stakeholder engagement, its purpose and scope, stakeholder participation rates, the engagement process, engagement outputs and outcomes, and the reporting process. Monitoring and evaluation should be based on set criteria and indicators. The AA1000SES also asks companies to *establish a process of continual learning and improvement*, to identify and act on specific areas for improvement, and include these learnings in future engagements.

Key findings and recommendations

Overall, the TalkingPower program mostly met the AER Guideline and AA1000SES criteria for evaluation and review, with some gaps.

The strengths of the program included the use of formal mechanisms to track and improve engagement participation rates, and a strong intent to collate learnings and improvement opportunities from TalkingPower to inform future Regulatory Proposal consultation processes. SA Power Networks also collected stakeholder participant feedback on both the design of the Regulatory Proposal and the TalkingPower program itself on an ongoing basis.

SA Power Networks did not, however, establish specific performance indicators, measurable objectives and other mechanisms at the onset of engagement planning to facilitate the evaluation of the effectiveness of the program and the quality of engagement delivered. Banarra notes that, in its experience, establishing systems for evaluation and review are typically the last to be comprehensively addressed by those with maturing stakeholder engagement management systems. Banarra also notes that the program was established prior to the publication of the AER Guideline in November 2013.

Banarra recommends the following actions to meet good practice principles for future Regulatory Proposal consultation processes:

8. *Establish indicators, criteria or measurable objectives, at the onset of engagement planning* – In future consultation processes, SA Power Networks should consider establishing measurable objectives, which may include key performance indicators or other criteria as relevant, to track and measure the success (or otherwise) of the engagement program, the quality of engagement and the effectiveness of engagement activities. This will help SA Power Networks to understand what is effective and to improve the quality of engagement over time. When setting these indicators, criteria or objectives, SA Power Networks should ensure that they are relevant to the business, and that they are measurable (through ensuring they are SMART).³
9. *Establish evaluation and review mechanisms* – In future Regulatory Proposal consultation processes, SA Power Networks should consider establishing formal evaluation and review mechanisms to systematically evaluate the effectiveness of engagement mechanisms and to review the relevance, accuracy and completeness of the engagement output. This will enable the company to monitor and adapt engagement activities to the changing needs and expectations of stakeholders, or to changing contexts, where necessary.
10. *Collate learnings from engagement into ongoing and future engagement processes* – Although the nature of the TalkingPower program is that it is a 'one-off' engagement for the Regulatory Proposal, SA Power Networks has documented a number of learnings to inform the design of future engagement processes. SA Power Networks should consolidate and review these learnings when designing future engagement and communication processes, so that a replicable consultation process can be established on the basis of continual improvement.

3. Assessment Findings – Stakeholder Engagement Principles

The five core principles for stakeholder engagement, as defined in the relevant standards, are: accessibility and inclusivity; materiality; clarity, accuracy, timeliness and responsiveness; transparency; and measurability. The TalkingPower program largely met these principles of the AER Guideline, AA1000SES and AA1000APS, with some gaps.

Key strengths of the program in relation to the principles included:

- The use of collaborative, accessible and timely engagement mechanisms; and
- A strong corporate commitment to use consultation outputs to influence decision making and inform the design of the Regulatory Proposal.

The program, however, based on our expert interpretation of international best practice frameworks and the intent of the AER Guideline, did not meet all requirements. Key gaps identified relate primarily to aspects of the TalkingPower program that were designed or completed prior to the publication of the AER Guideline, for example, formal, documented monitoring processes were only partially established, affecting the measurability of the program.

The assessment findings below (Table 3) are presented around the five core principles for stakeholder engagement.

³ SMART objectives, indicators and criteria are: specific (target a specific area for improvement); measurable (quantifiable or have an indicator of progress); achievable (set appropriate and reachable goals); relevant (state what results can realistically be achieved given available resources and constraints, and which are useful and relevant to current and future business activities); and time-bound (specify when the results can/should be achieved) (BetterEvaluation, *Equal Access Participatory Monitoring and Evaluation toolkit*, available at: http://betterevaluation.org/sites/default/files/EA_PM%26E_toolkit_module_2_objectives%26indicators_for_publication.pdf).

Table 3. Summary Dashboard – Stakeholder Engagement Principles

Principle	Criteria Sources	Summary Rating
Accessibility and inclusivity	AA1000APS/AER Guideline	M
Materiality	AA1000APS	M
Clarity, accuracy, timeliness and responsiveness	AA1000APS/AER Guideline	H
Transparency	AER Guideline	H
Measurability	AER Guideline	L

3.1 Accessibility and inclusivity

The AER Guideline states that an accessible and inclusive stakeholder engagement program ensures that the company *recognises, understands and involves consumers on an ongoing basis*, not just at the time an expenditure proposal is being prepared. This includes *providing consumers with the information they need to participate in a meaningful way* to seek outcomes that are in the consumers' interests. This involves, among other elements, preparing an engagement program that is tailored to the different needs of all consumer groups and building consumer capacity to engage.

The AA1000SES states that an inclusive stakeholder engagement program is one in which the *company accepts its accountability to those on whom it has an impact and who have an impact on it*, and encourages the *participation of stakeholders in developing and achieving better outcomes*. An inclusive program requires a defined process of stakeholder identification, analysis and participation that provides comprehensive and balanced involvement, and results in strategies, plans and outcomes that respond to issues and impacts in an accountable way.

Key findings and recommendations

Overall, the TalkingPower program mostly met the AER Guideline and AA1000SES criteria for accessibility and inclusivity, with some gaps.

The strengths of the program were its inclusion of a diverse range of consumers and other stakeholders representing a range of demographics, geographic locations and hardship levels. SA Power Networks also used multiple methods of engagement to improve the accessibility of the consultation process and extend the process to stakeholder groups with different preferences and capacities to engage. Consumers and stakeholders were also provided with a number of opportunities to participate and raise issues, which SA Power Networks responded to in their Regulatory Proposal.

SA Power Networks, however, used some informal processes for stakeholder identification, prioritisation and engagement, which, while built on an existing stakeholder database, were not subject to a formal review or mapping process to test the completeness of identified stakeholder groups or to understand stakeholders' capacity to engage, their views or expectations. As a result, Banarra was unable to fully

test that the process used was comprehensive and replicable in terms of stakeholder identification and mapping.

Banarra recommends the following actions to meet good practice principles for future Regulatory Proposal consultation processes:

11. *Involve consumers and other stakeholders directly in the upfront design of future engagement processes* – See Recommendation #1, Section 2.1. This involvement would help to enable a high level of participation and empowerment of consumers and stakeholders as per the IAP2 Public Participation Spectrum.
12. *Formalise a documented stakeholder identification and mapping process* – See Recommendation #2, Section 2.3. This would provide SA Power with a defensible process and help to ensure that future stakeholder engagement is inclusive.

3.2 Materiality

The AER Guideline does not establish requirements for materiality; however the AA1000SES and AA1000APS establish materiality determination as a core element of stakeholder engagement.

According to the AA1000SES, a stakeholder engagement process based on the principle of materiality is necessary to *identify and prioritise material issues*, that is, those issues that influence the decisions, actions and performance of an organisation or its stakeholders. While inclusivity is the starting point of materiality (to ensure that all relevant stakeholder groups are considered), the materiality process determines the most relevant and significant issues for a company and its stakeholders, recognising that some issues will be material to some stakeholders but not to others.

Key findings and recommendations

Overall, the TalkingPower program mostly met the AA1000SES and AA1000APS criteria for materiality, with some gaps.

SA Power Networks identified and prioritised the issues for engagement through a process incorporating its understanding of current and emerging consumer issues and the views of consumers, including those identified through mechanisms such as the Consumer Management Model survey and Future Operating Model research. Throughout the TalkingPower program, multiple opportunities were provided for participants to raise additional issues or concerns.

The key strength of the program was the consideration and prioritisation of consumer issues, where SA Power Networks' identified consumer issues from existing corporate-wide consumer research and engagement mechanisms (as above) and then refined and evolved their understanding of these issues and their importance throughout TalkingPower's ongoing consultation activities.

However, the process applied was limited in three ways. Firstly, it was limited to consumers and did not seek to systematically identify issues for other key stakeholder groups, or seek to determine the relevance and significance of issues to both SA Power Networks and to its stakeholders, as required by AA1000SES and AA1000APS. A good practice materiality process should draw on a wide range of stakeholder groups and information sources (including stakeholders, societal norms, financial considerations, peer-based norms and policies) in order to establish issues material to each stakeholder group, as well as to the business itself. Secondly, while it is acknowledged that the issues for engagement within the CMM Survey were identified and refined over time through a long history of consumer engagement, predetermined the TalkingPower consultation program did not provide an initial opportunity for stakeholders to freely identify issues themselves without the influence of pre-set issues; which may have limited the breadth of issues identified and considered. And finally, SA Power Networks' process did not meet the AA1000APS materiality process criteria that it "evaluates the relevance of the

identified... issues based on suitable and explicit criteria that are credible, clear and understandable as well as replicable, defensible and assurable”.

Banarra recommends the following action to meet good practice principles for future Regulatory Proposal consultation processes:

13. *Conduct an enhanced materiality determination process* – Prior to future Regulatory Proposal consultation processes, SA Power Networks could consider conducting an enhanced materiality process to identify the issues to engage stakeholders on, drawing on a wide range of stakeholder groups and information sources (including stakeholders, societal norms, financial considerations, peer-based norms and policies). This process should use key criteria to determine the relevance, significance and priority of issues. This will help to ensure, at the start of consultation, completeness of information and the appropriateness of topics for engagement.

3.3 Clarity, accuracy, timeliness and responsiveness

The AER Guideline states that stakeholder engagement should *provide information to consumers that is clear, accurate, relevant and timely*, recognising the different communication needs and wants of consumers. This includes ensuring that two-way communication is possible.

AA1000SES captures these requirements under the principle of responsiveness. Responsiveness is an organisation’s response to material stakeholder issues that affect its performance (including how an organisation *demonstrates that it responds to its stakeholders and is accountable to them*) and is realised through decisions, actions and performance, as well as communication with stakeholders. Stakeholder engagement is considered to be responsive when *stakeholders participate in developing responses*, and an organisation *communicates responses to its stakeholders in a timely, comprehensive, balanced and prioritised manner* so they can make informed decisions.

Key findings and recommendations

Overall, the TalkingPower program met, and in some aspects exceeded, the AER Guideline criteria for clarity, accuracy and timeliness. Strengths of the program were that it was progressively staged, and so provided sufficient time and information for stakeholders to participate in an informed and effective manner.

The TalkingPower program also largely met the AA1000SES criteria for responsiveness. Although SA Power Networks did not use a formal materiality process to identify material issues at the onset of engagement, the engagement output (i.e. the Regulatory Proposal) adequately incorporated the outputs of the consultation and the issues raised by stakeholders during the engagement.

Banarra recommends the following actions to meet good practice principles for future Regulatory Proposal consultation processes:

14. *Collate learnings from engagement into ongoing and future engagement processes* – See Recommendation #10, Section 2.6. This will help ensure that future Regulatory Proposal consultation processes follow a replicable, consistent structure based on a process of continual improvement.

3.4 Transparency

The AER Guideline states that a transparent stakeholder engagement program *clearly identifies and explains the program objective and the roles of consumers in engagement, consults with consumers on information and feedback processes, and communicates how consumer input affects business operations or expenditure proposals*. This includes reinforcing and managing the expectations of the outcomes of

consumer input, and credibly and openly reporting the input of all consumers, including positive and negative experiences and outcomes.

Key findings and recommendations

Overall, the TalkingPower program met, and in some aspects exceeded, the AER Guideline criteria for transparency.

Strengths of the program were the reporting of crucial information to stakeholders and the wider public prior to the start of the program, as well as during and on completion of the program; this allowed stakeholders to participate in an informed manner and to understand how their input affected decision making for the Regulatory Proposal. This included the provision of information through a range of online, print, radio and other multimedia communication channels on:

- The purpose and scope of engagement;
- The engagement process and timeframe;
- Stakeholders' role in engagement;
- The outcomes and results of engagement; and
- The extent to which stakeholder input was used in the preparation of the Regulatory Proposal.

The use of external consultants in the design, execution and reporting of the consultation program was also a strength in that it enabled SA Power Networks to maintain transparency and independence in the engagement process.

No material gaps were identified.

3.5 Measurability

The AER Guideline states that a measurable stakeholder engagement program is one in which a company can *clearly measure the success and outcome of engagement activities, and the quality of the engagement undertaken*. This involves developing a range of key performance indicators to track the success, effectiveness and relevance of engagement strategies and activities, and publishing measurement results in a timely manner.

Key findings and recommendations

Overall, while the TalkingPower program addressed some criteria, it did not fully meet the AER Guideline requirements for measurability.

SA Power Networks established formal processes to track and improve the reach of specific engagement mechanisms (such as surveys, research and public submission processes), as well as to collate stakeholders' feedback on the program itself to enhance the quality of future engagement. There were clear research objectives set, yet there were some gaps in terms of establishing set criteria, indicators and measurable objectives at the onset of the program,⁴ and in tracking progress on the quality of engagement.

Banarra notes that, in its experience, the area of measurability can be the last to be comprehensively addressed by those with maturing stakeholder engagement management systems. Banarra also notes that the program was established prior to the publication of the AER Guideline in November 2013.

Banarra recommends the following actions to meet good practice principles for future Regulatory Proposal consultation processes:

⁴ That meet the measurability criteria set out in the AER Guideline.

15. *Establish indicators, criteria or measurable objectives, at the onset of engagement planning* – See Recommendation #8, Section 2.6. This will enable SA Power Networks to measure the success, or otherwise, of engagement activities, to understand what is effective, and to improve the quality of engagement over time.
16. *Establish evaluation and review mechanisms* – See Recommendation #9, Section 2.6. This will enable the company to monitor and adapt engagement activities to the changing needs and expectations of stakeholders, or to changing contexts, where necessary.

4. Additional Recommendations

Banarra additionally recommends the following actions to help integrate good practice principles within SA Power Networks' broader stakeholder management framework and work towards leading practice stakeholder engagement:

- A. *Build upon existing company-wide stakeholder identification, mapping and analysis processes to integrate good practice principles* – SA Power Networks is currently working on developing its existing stakeholder identification and mapping processes through the transition to a Customer Relationship Management (CRM) system, among other developments. Banarra suggests that SA Power Networks continue these developments and expand its existing processes, integrating those processes for stakeholder identification, profiling, mapping and auditing as detailed in AA1000SES and AA1000APS or other relevant international standards (as detailed in Recommendation #2, Section 2.3). SA Power Networks' stakeholder database should be regularly reviewed to maintain its relevance, and provide a strong basis for individual engagement programs beyond Regulatory Proposal projects.
- B. *Develop an action plan to capture and respond to stakeholder inputs on an ongoing basis* – SA Power Networks should extend the use of action plans within broader company stakeholder engagement processes. Banarra understands that plans to establish company-wide stakeholder action plans are already underway. (See also Recommendation #7, Section 2.5.)
- C. *Establish indicators, criteria or measurable objectives, at the onset of engagement planning* – SA Power Networks should consider establishing measurable objectives for its ongoing stakeholder engagement, which may include key performance indicators or other criteria as relevant, to track and measure the success (or otherwise), quality and effectiveness of engagement activities. This will help SA Power Networks to understand what is effective and to improve the quality of engagement over time. SA Power Networks should ensure that indicators, criteria or objectives are relevant to the business, and that they are measurable (through ensuring they are SMART). (See also Recommendation #8, Section 2.6.)
- D. *Establish evaluation and review mechanisms* – In conjunction with C, above, SA Power Networks should consider establishing a formal evaluation and review mechanism to systematically evaluate the effectiveness of engagement and to review the relevance, accuracy and completeness of engagement outputs. This mechanism would enable the company to monitor and adapt engagement activities to the changing needs and expectations of stakeholders, or to changing contexts, where necessary. (See also Recommendation #9, Section 2.6.)
- E. *Use internationally recognised principles for reporting* – SA Power Networks should consider using internationally recognised principles for reporting for future engagement initiatives, such as the Global Reporting Initiative (GRI), to help ensure that reporting and external communications are accurate, comprehensive, balanced and responsive to material issues.