Attachment 16.6
Customer Engagement Program Summary
21 October 2014

SA Power Networks

Contents

1. Introduction

Purposeful and well-planned engagement provides the opportunity for a diversity of voices to be heard on issues that matter to our customers and stakeholders. To guide the development of our 2015-20 Regulatory Proposal we have implemented a comprehensive Customer Engagement Program (**CEP**), titled 'Talking Power', to engage with our customers and stakeholders in order to understand their current and future needs, concerns and preferences.

This attachment provides an overview of SA Power Networks' CEP, its principles, process, methods, reach, effectiveness and findings, as well as how these findings have been appropriately integrated with SA Power Networks' Regulatory Proposal.

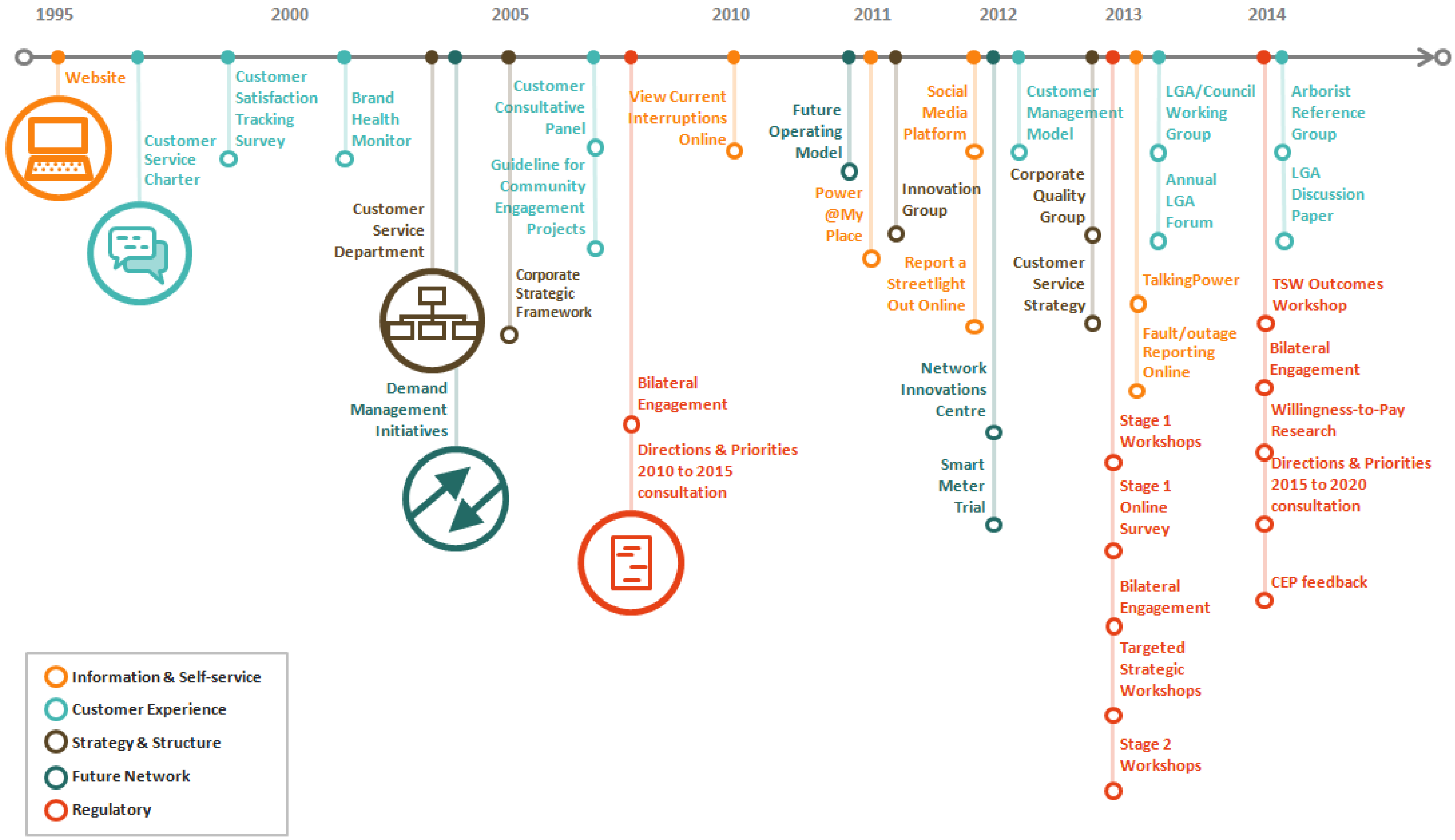
Our CEP was designed to ensure that a comprehensive and appropriate range of service arenas and attributes formed the basis of our engagement. We have conducted extensive research, using techniques and channels that we believe are new to the electricity distribution sector in Australia, to quantify ongoing priorities for customers, and important shifts in their expectations of us. This in turn has provided us with the confidence in the process and outcomes to create business strategies that appropriately address the concerns of electricity consumers[1].

2. Customer engagement at SA Power Networks

SA Power Networks has a reputation for building effective relationships and dialogue with our customers. We have long recognised the importance of customer engagement by providing performance updates, feedback opportunities, service channels and information tools to customers and other stakeholders at both a community and project level as detailed below and summarised in Figure 2.1.

[1] National Electricity Rules (NER), classes 6.5.6 (e)(5A) and 6.5.7 (e)(5A).

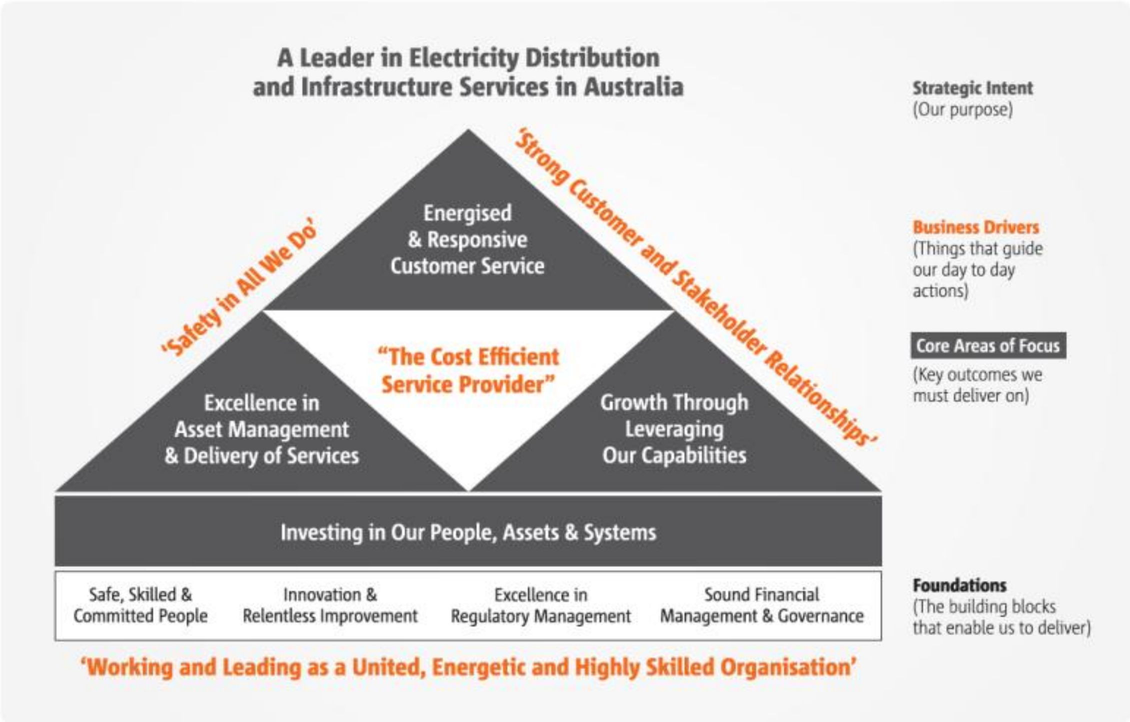
Figure 2.1: SA Power Networks' history of customer and stakeholder engagement



Source: SA Power Networks 2014

In 2005, SA Power Networks' corporate Strategic Framework was developed, and it has remained largely unchanged in the last decade. The Strategic Framework establishes 'energised and responsive customer service' and 'strong customer and stakeholder relationships' as key components of our corporate directions, priorities and plans (see Figure 2.2).

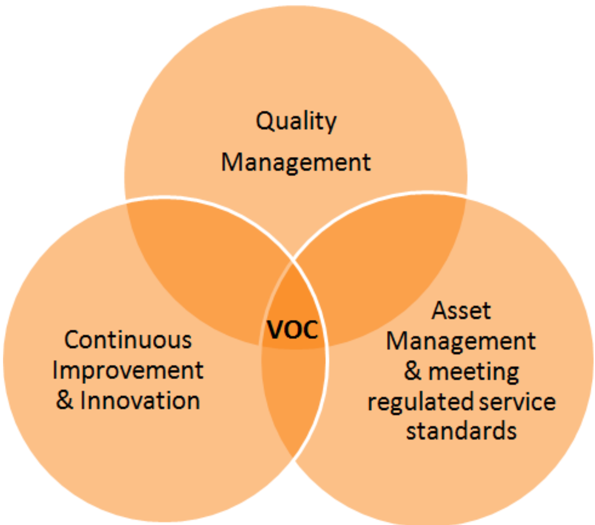
Figure 2.2: Customers and relationships are key to SA Power Networks' philosophy



Source: SA Power Networks Strategic Plan 2014

Additionally the voice of our customers is increasingly influencing our many activities, projects and processes, and we monitor our customers' satisfaction over a broad range of services and projects. To help meet the challenges arising from increasing customer expectations, innovation and continuous improvement are a key priority for SA Power Networks. Accordingly, there is a growing organisational emphasis on enhanced customer engagement, innovation, and process and quality management across all areas of the business (See Figure 2.3).

Figure 2.3: 'Voice of the customer' (VOC) is central to SA Power Networks' maturing approach



Source: SA Power Networks

2.1 Internal engagement processes

SA Power Networks actively promotes mechanisms to engage and listen to electricity customers. Internally, all Customer Service Agents act as customer advocates, and relationships are managed with different customer stakeholder groups and major business customers. We also have an internal Customer Service Review Group that focuses on continuous improvement opportunities.

2.2 External engagement processes

In 1997 we launched our ongoing formal, independently facilitated Customer Satisfaction Tracking Survey (**CSTS**). This was followed by the launch of our Brand Health Monitor (**BHM**) in 2001.

SA Power Networks' CSTS methodology includes interviews with customers on a monthly basis to gauge their satisfaction with the services provided by SA Power Networks. The survey samples customers who have been affected in the past month by a planned or unplanned interruption to their electricity supply, who have reported a streetlight fault, or who have made a telephone enquiry. Results are collated monthly and reported three times per year.

SA Power Networks' BHM is a high-level customer survey. It is implemented twice yearly to assess customer awareness of SA Power Networks and our activities as well as rating our performance across three balanced arenas - customer service, network and brand performance. Respondents are randomly selected from the general population of South Australia.

SA Power Networks' Customer Consultative Panel (**SAPN CCP**) was established in 2007 to facilitate structured discussion with consumer groups on our performance, plans and opportunities for improvement. The SAPN CCP continues to be a valuable contributor to our plans and priority setting processes.

In the past four years, SA Power Networks has developed a range of innovative online service tools for customers including fault and outage reporting online, 'Report a streetlight out' online, 'Power@My Place' message service and our social media presence.

SA Power Networks also routinely engages extensively with the community on a project-by-project basis. Our guideline for community engagement on infrastructure and other projects was established in 2007 and ensures stakeholder consultation processes are embedded in the planning for and implementation of major projects.

In 2012, as part of our annual strategic planning process, SA Power Networks launched the Customer Management Model (**CMM**) project, to create a step change in our understanding of the values that customers ascribe to our many diverse services. This project ultimately became very important in preparations for our eventual engagement for the next regulatory control period (**RCP**), as discussed later.

From 2004, SA Power Networks has led the nation in demand management (**DM**) research and remains committed to ongoing investigation and trials of demand management strategies for South Australia. This work includes testing and exploring industrial, commercial and residential DM options and opportunities. Each trial is exposed to stringent and independent cost benefit analysis and all trials investigate two key factors - technology and customer acceptance. Apart from developing our technical knowledge base, our history of trials in DM has taught us the importance of effective engagement for DM success.

Another example of engagement leadership is our Network Innovations Centre (**NIC**). Established in 2012, the NIC is the formalised organisational unit that emerged from our early DM research efforts. It is where we develop, test, display and trial new network technologies and demand side participation initiatives. Major initiatives include a multi-phase Smart Meter Trial of 3,500 residential customers in North Adelaide which has involved a comprehensive integrated engagement strategy.

We have also led our industry in terms of helping to create shared technical and operating vision for the longer term future, as articulated in our Future Operating Model 2028 (**FOM**). The FOM leverages the knowledge accumulated via the research and trial programs conducted by our NIC.

2.3 Stakeholder engagement for the 2010-15 Regulatory Proposal

In the context of preparations in 2008 for our Regulatory Proposal for the current period 2010-15, SA Power Networks engaged extensively with key stakeholders via bilateral meetings and through the release of a 'Directions & Priorities' consultation document well in advance of the lodgement of our 2010-15 Regulatory Proposal. Our experience in 2008 formed an early template for considerations of our engagement approach for the 2015-20 Regulatory Proposal.

2.4 Engagement principles for development of our 2015-20 Regulatory Proposal

For the 2015-20 RCP, SA Power Networks aimed to build on our previous consultation approaches with a more comprehensive and inclusive consumer engagement process that applies best practice principles from the AA1000 Stakeholder Engagement Standard (2011) (**AA1000SES**)[2] and IAP2 International Association for Public Participation (**IAP2**)[3] in order to meet all National Electricity Rules (**NER**)[4] requirements.

The implementation of our TalkingPower consultation program commenced in late 2012 and is based on key principles. We wanted the CEP to:

- demonstrate an evidence based process;
- provide relevant information to stakeholders via open and clear communication channels;
- be inclusive and clearly outline what stakeholders can expect from us via our engagement;
- ensure we are positioned to listen early to stakeholders' concerns;
- drive our methodical assessment of those issues and our potential to address them;
- provide prompt and clear feedback to stakeholders on the conclusions reached and actions taken;
- establish good practices that help lead our industry in customer engagement;
- comply with regulatory guidelines; and
- provide a template for ongoing stakeholder engagement outside of reset periods.

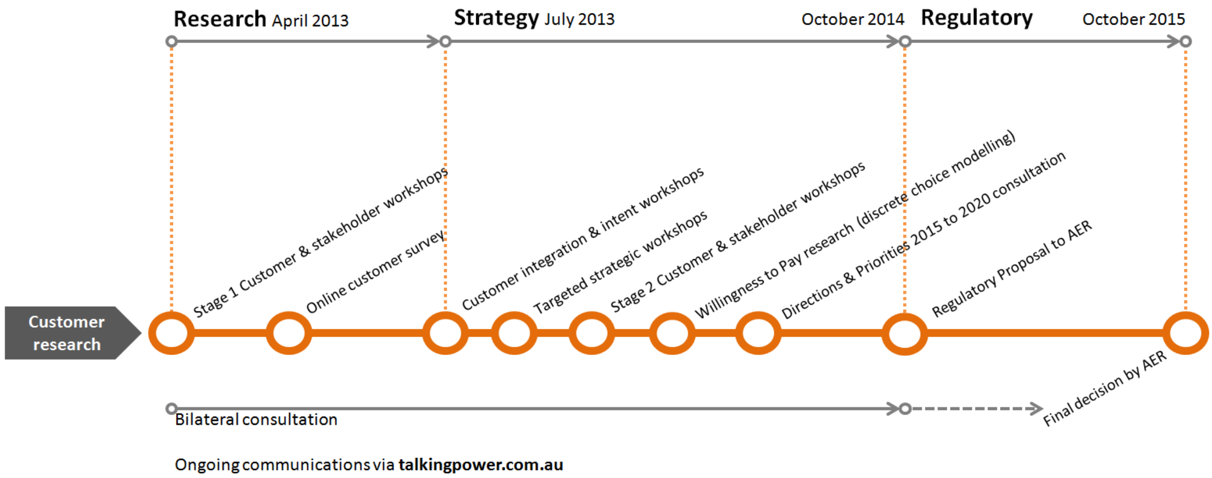
[2] Accountability, *AA1000 Stakeholder Engagement Standard 2011*.
[3] IAP2 International Association for Public Participation, *iap2 public participation spectrum*, 2014.
[4] National Electricity Rules (NER), classes 6.5.6 (e)(5A) and 6.5.7 (e)(5A).

3. Developing our Customer Engagement Program

3.1 Introduction

As detailed above, SA Power Networks' engagement capabilities provide a solid basis for the delivery of an enhanced program of customer engagement for the purposes of the 2015-20 regulatory control period (**RCP**). To guide the development of the Regulatory Proposal we have leveraged this experience with external expertise to design a comprehensive CEP, titled 'TalkingPower'. TalkingPower which commenced in late 2012 was designed to engage with our customers and stakeholders in order to understand their current and future needs, concerns and preferences (see Figure 3.1).

Figure 3.1: SA Power Networks' TalkingPower Customer Engagement Program



Source: SA Power Networks 2014

3.2 Customer engagement requirements

3.2.1 National Electricity Rules requirements

Our regulated obligations under the National Electricity Law (**NEL**) require us to undertake and support efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers with respect to the price, quality, safety, reliability and security of electricity supply (i.e. the national electricity objective or NEO).

The National Electricity Rules (NR) also have requirements relating to engagement with electricity consumers and the extent to which:

- the operating expenditure forecasts include expenditure to address the concerns of electricity consumers as identified by SA Power Networks in the course of our engagement with electricity consumers; and
- the capital expenditure forecasts include expenditure to address the concerns of electricity consumers as identified by SA Power Networks in the course of our engagement with electricity consumers.

3.2.1 AER Consumer Engagement Guideline requirements

Introduced as part of the Australian Energy Regulator's Better Regulation Program reforms, the Consumer Engagement Guideline (**AER guideline**) is focused on promoting the long-term interests of electricity consumers. The AER guideline sets out a broad framework for electricity providers to develop strategies to engage systematically, consistently and strategically with customers on issues that are significant to both parties[5].

[5] https://www.aer.gov.au/node/18894

The AER guideline is underpinned by four best practice principles drawn from the AA1000SES and IAP2 standards and states the expectations for service providers to endeavour to engage effectively with their electricity customers. It provides direction on engagement that is:

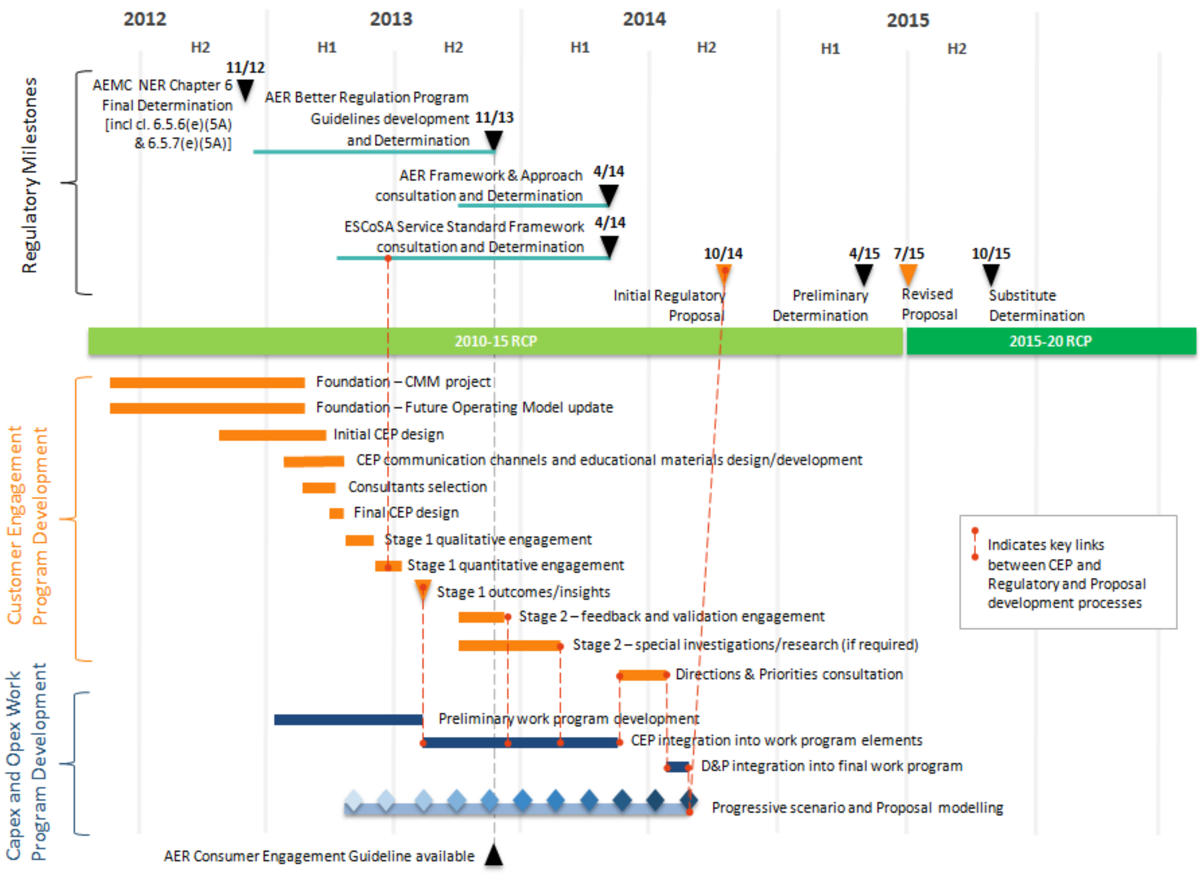
- clear, accurate, relevant and timely;
- accessible and inclusive;
- transparent; and
- measurable.

3.2.1.1 Alignment with key dates in the determination process

Development of the AER guideline was initiated in December 2012, a draft guideline was released in July 2013 and the AER guideline was subsequently finalised in November 2013[6].

With SA Power Networks' Regulatory Proposal due to be submitted to the AER by 31 October 2014 it was important to commence our engagement early enough to enable both the time for effective engagement and also to allow enough time to consider customer feedback and properly factor it into our planning for the 2015-20 RCP (see Figure 3.2). Work on our CEP commenced in 2012.

Figure 3.2: AER and SA Power Networks' CEP milestones and activities



Source: SA Power Networks 2014

The AER announced of its Better Regulation Program in December 2012. By that stage (late 2012), we had already concluded that our CEP needed to incorporate significant enhancements in order to be fit-for-purpose for our 2015-20 RCP planning process, and were planning accordingly.

Whilst we could have deferred our CEP until the AER guideline was developed and released, we considered that is was of over-riding importance that we commence our engagement early enough

[6] Australian Energy Regulator, *Consumer Engagement Guideline*, November 2013.

to enable both the time for effective engagement as well as enough time to consider customer feedback and properly factor it into our planning for the 2015-20 period.

We were confident that our CEP design would meet any requirements under the AER guideline. Notwithstanding this, our CEP was flexible enough to be able to accommodate any directional changes should they have emerged from the Better Regulation Program.

3.3 Purpose, scope and stakeholders for our Customer Engagement Program

Successful stakeholder engagement depends on a clear understanding and definition of the purpose of engaging, the scope of the program and topics and engaging with the right stakeholders.

3.3.1 Purpose

Our engagement purpose was to:

> *"Design and implement a comprehensive CEP to engage with South Australian electricity customers and stakeholders in order to understand their current and future needs, concerns and preferences. The CEP will be utilised to guide the development of SA Power Networks 2015-20 Regulatory Proposal that is due to be submitted to the AER on 31 October 2014."*

3.3.2 Scope

Our CEP scope was defined as follows:

> *"Design and deliver an effective CEP that considers the long term interests of customers and builds on previous consultation approaches to deliver a more comprehensive and inclusive consumer engagement process. The process should apply best practice principles from the Stakeholder Engagement Standard (AA1000SES) and the International Association of Public Participation (IAP2) framework in order to meet all NER requirements. Our key requirements for our CEP are detailed in Table 3.1."*

Table 3.1: TalkingPower Customer Engagement Program requirements

TalkingPower requirements
• comply with our regulatory requirements • generally align with SA Power Networks engagement principles • meet widely recognised standards for engagement processes • adequate statistical coverage of our customer base, including key segments • customers who wish to participate are able to do so (subject to research criteria) • engagement methods must produce clear and meaningful findings • findings are evidence based and measurable • findings are relevant to our planning for the 2015-20 Regulatory Proposal • findings are timely and can be considered in our planning • engagement information is readily accessible by participants and stakeholders • feedback on outcomes of the engagement is provided to participants and stakeholders • contribute to our broader engagement capabilities

Source: SA Power Networks 2014

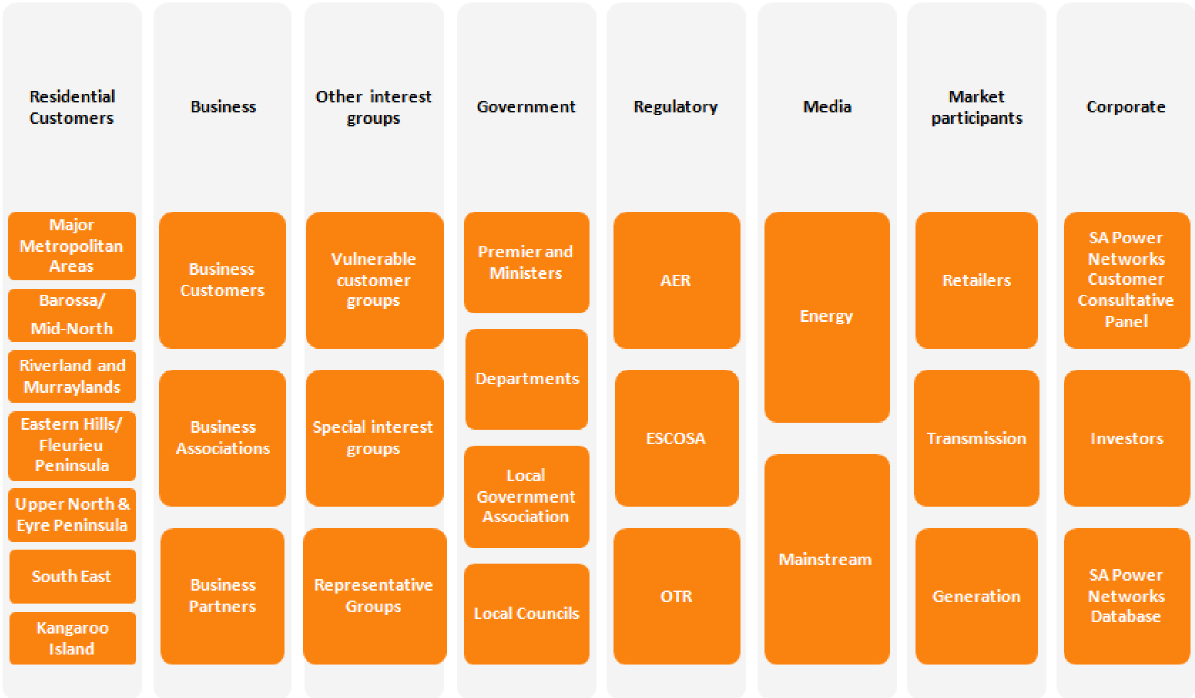
3.3.3 Stakeholder identification

Our stakeholders are defined as those individuals, groups of individuals or organisations that could be impacted by or interact with SA Power Networks. The process for determining the most relevant and significant issues for an organisation and its stakeholders recognises that materiality is stakeholder specific.

Stakeholder methodologies recognise that various consumer profiles, segments and groups exist and that each may have unique or specific engagement and communication needs.

The methodology used for our stakeholder identification was based on the bilateral engagement framework developed for the 2010-2015 Regulatory Proposal (Figure 3.3). This framework has been used by our stakeholder relations and customer service teams since 2008.

Figure 3.3: SA Power Networks' Stakeholder Relations stakeholder mapping



Source: SA Power Networks

Minor amendments to the framework were required to map residential customers. As at 30 June 2014 there were 843,098 electricity customers in South Australia, and 99,180 of these were small or large businesses[7]. By location, approximately 70% of electricity customers were situated in the Major Metropolitan Area with the remainder located in regional areas.

As customers may already be represented by interest groups, residential customers were grouped by location (regions were selected based on the Essential Services Commission of South Australia Service Standards Framework). Large business customer relationships are managed on an ongoing basis by a full-time Major Customer Manager.

3.4 Process for developing our Customer Engagement Program

As previously mentioned it was important to commence our CEP early enough to enable both the time for effective engagement as well as enough time to consider customer feedback and factor it into our planning for the 2015-20 RCP.

[7] SA Power Networks, 2014

The planning for our CEP involved a number of steps as summarised in Table 3.2. At a high level this process included:

- developing a high level approach to the engagement program;
- identification of target segments (refer section 3.3.3);
- setting engagement objectives by target segment;
- high level topics for the engagement;
- information resources for the program;
- communications approach and channels for the program;
- high level design; and
- meeting SA Power Networks governance requirements.

At a more detailed and tactical level it incorporated:

- seeking expert service providers;
- developing detailed topics for the engagement;
- applying detailed engagement methodologies for specific stakeholders; and
- planning and preparation for logistical requirements.

Table 3.2: SA Power Networks' stakeholder engagement planning process (adapted from AA1000SES)

Plan	Prepare	Implement	Improve

• Assess internal capability
• Review engagement standards
• Explore external expertise
• Review international experience
• Ascertain:
  ○ current situation
  ○ emerging trends
  ○ strategic issues
• Define CEP purpose, scope and stakeholders
	• Leverage results from CMM
	• Develop CEP implementation strategy
	• Engage external practitioners
		• Continue
		  ○ Brand Health Monitor
		  ○ Customer Satisfaction Tracking Survey
		• Implement CEP
		• Integrate outcomes into business
			• Gather feedback
			• Review feedback mechanisms:
			  ○ surveys
			  ○ workshops
			  ○ metrics
			  ○ KPIs
			• Integrate into engagement practice

Source: SA Power Networks 2012

3.4.1 High level approach to the engagement program

In designing and developing our CEP SA Power Networks leveraged substantial experience, capability and aspiration with regard to customer and stakeholder engagement by conducting a comprehensive review of the environment.

3.4.1.1 Engagement for the 2010-15 Regulatory Proposal

Well before customer engagement was mandated in the NER and in preparation for the 2010-15 Regulatory Proposal, SA Power Networks (ETSA Utilities in 2008) embarked on a significant review of the range of complex issues facing our business and the electricity supply industry. This review culminated in our public consultation document: 'The South Australian Distribution Network: Directions and Priorities 2010-2015'. This consultation, undertaken with government, customers and the broader community, identified new customer priorities for the period 2010 to 2015.

Whilst employing a public consultation document was an advanced approach for the electricity industry at the time, SA Power Networks has continued to gather feedback from customers and stakeholders and evolve our understanding of their needs and the engagement practice and expertise required to manage growing customer expectations. However for 2015-2020 we wished to deliver a deeper and more comprehensive CEP.

3.4.1.2 Review of external experience and engagement standards

As part of developing our CEP approach we reviewed the best practice principles in the AA1000SES and the IAP2 and investigated overseas examples of successful customer engagement within the utilities sector.

SA Power Networks reviewed the methods and approaches used in the UK by electricity and gas distribution businesses. This research involved discussions with SA Power Networks' sister companies and the UK energy regulator, Ofgem (see Table 3.3), on their experiences and approaches[8]. Among other things, this research emphasised the importance of a solid basis for setting consultation topics. A range of stakeholder engagement literature from UK regulators was also reviewed.

Table 3.3: UK CEP research discussions held in 2012

UK energy regulator consultations
• Ofgem
UK utilities consultations
• UK Power Networks (electricity and distribution)
• Northern Gas Networks (gas distribution)
• Northumbrian Water Group (water utility, regulated by Ofwat)

Source: SA Power Networks

Our review of publicly available stakeholder engagement material for gas, transmission and distribution, together with recognition of the differences in regulatory frameworks, led us to adopt aspects of the more successful stakeholder engagement methods used in the UK.

3.4.1.3 Pricing Context

A fundamental consideration of customer engagement is providing an understanding of the potential implications for changes in electricity prices. This context was provided at a holistic level especially in the early stages of the program where our primary aim was to 'listen' to the expectations and concerns of customers.

Accordingly, our consumer engagement discussions and customer surveys of directions, priorities and potential initiatives for the distribution network in the next RCP were held in the explicit context of distribution prices increasing by no more than CPI.

For the online survey the scenario of price increases presented was no more than those experienced in the current 2010-15 period. The online survey results are fully consistent with earlier workshops engagement results.

We consider this would allow customers and stakeholders to come to a personal judgement of value and balance with regard to mooted directions and priorities.

[8] https://www.ofgem.gov.uk/electricity/distribution-networks/network-price-controls/distribution-price-control-review-5

3.4.1.4 Senior management commitment and integration

Our senior management team have been actively involved in our TalkingPower program, with several members of the executive management team being key and ongoing contributors in workshops and briefings. Senior executives are also uniquely positioned to have the best contextual and strategic perspectives to provide extremely high quality feedback to customers in a workshop setting.

> **Stage one workshop:**
> "Informative and very well presented. Good to see company CEO of a major corporate body willing to interact with general public and take advice."
> Resident, Metro

The integration of customer research outcomes was a critical part of the success of our CEP. The sequencing and context of activities provided multiple opportunities to reflect and integrate engagement outcomes into our Regulatory Proposals and long-term business plans, with the involvement of key decision makers across the business.

> **Stage one workshop:**
> "Excellent structure and the fact that SAPN's people both presented and also stayed to listen to the feedback."
> Industry group, Metro

The analysis, evaluation and addressing of any relevant concerns identified as a result of our engagement program required formal processes for review and integration. This is addressed in more detail in the Implementation section.

Figure 3.4: SA Power Networks CEO Rob Stobbe, Stage one CBD workshop (left) and Stage two Kangaroo Island workshop (right)

3.4.2 Identification of target segments, objective setting and bilateral engagement

The stakeholder mapping outlined in section 3.3.3 provided a foundation for further targeting customer segments. In addition to targeting, creating custom engagement plans recognises that various consumer profiles, segments and groups exist. More importantly as each stakeholder segment may have diverse perspectives and sometimes conflicting interests and concerns it is also important to factor in specific engagement and communication needs into these plans.

In recognition of these issues, SA Power Networks applied a common method of stakeholder analysis – the use of a generally accepted stakeholder influence matrix when planning our approach to engaging with key stakeholders.

The stakeholder influence matrix analysis combined with insights from ongoing engagement with business, government, the media, corporate and other interest groups provided strong signals for ‘priority issues’ and identifying and addressing expectations and issues for each group.

Subsequently specific objectives were identified for each stakeholder group and where practical custom plans developed for the ‘manage closely’ stakeholders. A draft meeting schedule was also developed to ensure customer issues were considered at key stages and milestones of our CEP.

The specific objectives for each stakeholder group, custom plans and meeting schedule were designed to be implemented in the bilateral engagement program. The outputs from bilateral engagement were scheduled to be reviewed and assessed on an ongoing basis with any resulting insights incorporated into review and integration steps for each stage of the CEP.

3.4.3 High level topics for the engagement

Setting appropriate topics for engagement is key to the success of any engagement program. In a ‘high-change’ environment, this is especially critical, as there are a great many potential topics of engagement, compared to practical limits of time and cost that apply to CEP design.

The CEP topic development process included assessment of critical environmental inputs including:

- recent regulatory reviews such as the Australian Energy Market Commission’s (**AEMC**) Power of Choice Review (which indicates future regulation and service directions);
- SA Power Networks’ Future Operating Model (which indicates requirements of the customer of the future);
- results from Demand Management and Network Innovation Centre initiatives;
- SA Power Networks’ range of regularly updated asset management strategies and plans;
- SA Power Networks’ strategies and directions;
- SA Power Networks’ Customer Satisfaction Tracking Survey outputs (monthly survey, reported quarterly);
- SA Power Networks’ Brand Health Monitor outputs (bi-annual survey); and
- Customer Management Model research.

Figure 3.5 SA Power Networks’ synthesis of environmental inputs

Source: SA Power Networks 2012

3.4.3.1.1 *Customer Management Model Research*

SA Power Networks was able to leverage proprietary research that provided robust insights into sources of consumer value and opportunities for improvement.

Based on recent customer service valuation research findings from Harvard Business School, in early 2012 SA Power Networks embarked on a major review of the way in which major initiatives and strategies align with what customers say they want and value.

The first of these initiatives was the Customer Management Model (**CMM**), which involved proprietary research undertaken by ORC International from April 2012 to November 2012[9].

The purpose of the CMM was to provide a better understanding of our customers and their service value assessments, in order to develop improved Customer Service Strategies and prepare SA Power Networks for developing our 2015-20 Regulatory Proposal.

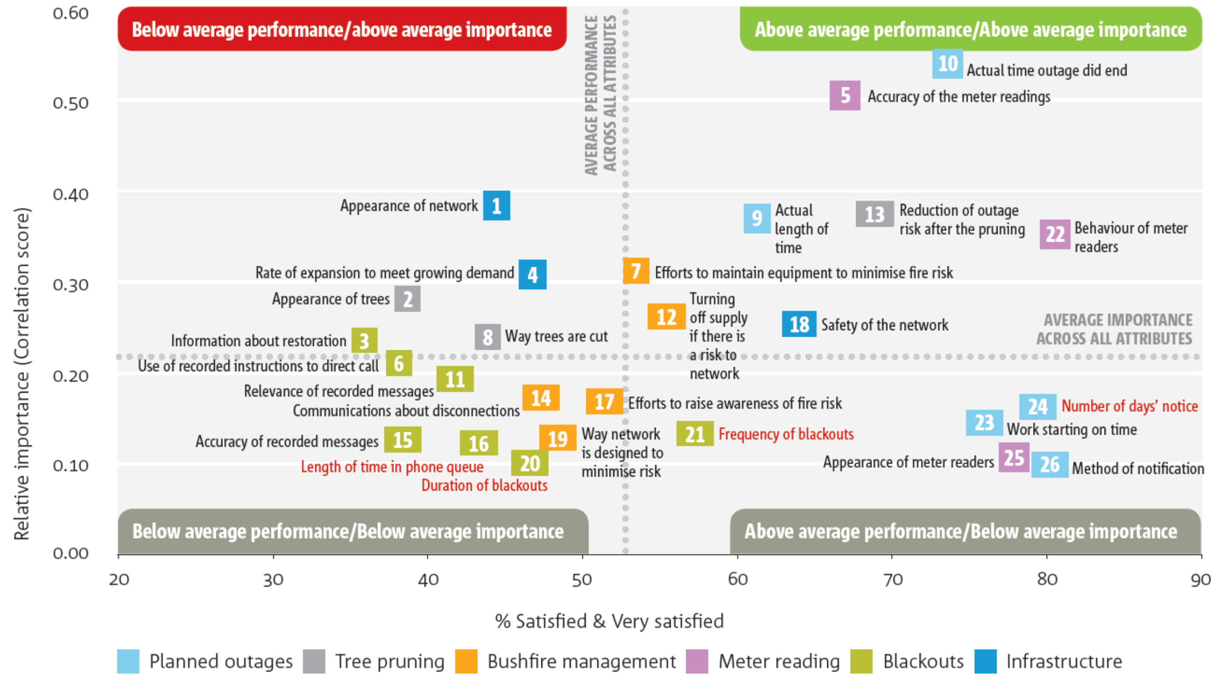
This research provided new insights into what lines of service matter to consumers, the relative importance of these lines of service, and how SA Power Networks compares to their expectations. The 'service areas' covered by the research included:

- infrastructure;
- bushfire management;
- quality of supply;
- tree pruning;
- meter reading;
- field crews;
- blackouts;
- Power@MyPlace;
- planned outages;
- solar connections;
- streetlights; and
- website.

Figure 3.6 summarises the outputs from the CMM.

[9] ORC International, *SA Power Networks Customer Management Model Study – regulatory summary*, February 2013

Figure 3.6 SA Power Networks' Customer Management Model research quadrant analysis



Source: ORC International, Customer Management Model Study, 2013

SA Power Networks' proprietary research demonstrates that whilst customers value reliability, customers' personal value equations (trade-offs) are much more complex. The research provided robust insights into what matters to consumers, consolidated preferences for perceived consumer value and subsequently identified potential opportunities for improvement.

The Customer Management Model research by ORC International is summarised in Regulatory Proposal Attachment 6.1.

3.4.3.1.1 *Other candidate topic sources*

The 2012 CMM research provided important indicators of key candidate topics for the Customer Engagement Program. However to provide a stronger foundation that covered short and long term issues across the key dimensions of our business, multiple other critical inputs (Figure 3.5) were also considered, as discussed in section 3.4.3.

3.4.3.1.2 *Final high level topic areas*

High level candidate topics were analysed and reviewed by senior SA Power Networks staff and our expert advisors. The final balanced high level topic areas selected for the CEP were:

- customer experience
- community safety and reliability
- visual amenity, and
- the evolving customer.

The detailed topics for engagement fall within these high level areas.

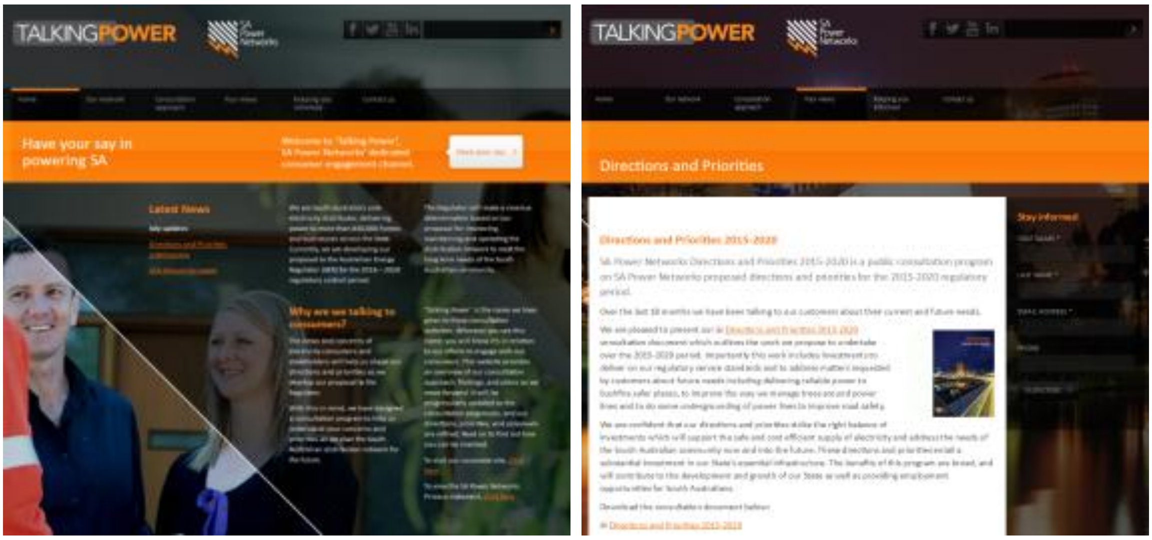
3.4.4 Information resources for the program

Given the depth and breadth of the CEP topics it would be essential to accelerate the awareness and understanding of participants in a uniform and efficient manner. New information resources were identified to support CEP implementation. They included:

- educational messages for workshops and surveys;
- new boards and posters for workshops (see Figure 3.7);
- new fact sheets;
- additional photography;
- new DVD footage; and
- a dedicated website for the CEP (see Figure 3.8).

Figure 3.7: Examples of stage one and two workshop information boards and posters

Figure 3.8: SA Power Networks' talkingpower.com.au website



3.4.5 High level design

The CEP design spans three distinct stages – Research, Strategy and Regulatory (Figure 3.9).

Figure 3.9: SA Power Networks' TalkingPower CEP

Source: SA Power Networks 2014

The 'Research' stage is designed to focus on exploring and 'listening' to customer expectations and concerns in workshops and through an online survey in order to facilitate inputs for the development of the services and investments required for 2015-2020.

The second stage focuses on 'Strategy' and endeavours to progress and integrate customer expectations and concerns identified in stage one into planning for the 2015-20 RCP. The design incorporates:

- a confirmation process for testing outcomes of SA Power Networks integration in terms of potential investment and services;
- collaborative workshops;
- willingness to pay research; and
- the 'Directions and Priorities 2015 to 2020' consultation document.

The second stage culminates with the submission of SA Power Networks' Proposal to the AER on 31 October 2014.

The third and final stage of our CEP focuses on the 'Regulatory' determination process and AER engagement.

3.4.6 Governance requirements

A number of factors indicated to SA Power Networks that a high standard of governance needed to be applied to the design and implementation of the CEP:

a) We needed to start the CEP early enough for it to be an effective input into our planning for the 2015-20 RCP, but there was regulatory uncertainty arising from the absence of a finalised AER guideline at the time of CEP commencement;

b) The political, media and regulatory environment throughout 2012 and 2013 was highly critical of network service providers (**NSPs**). Electricity price concerns became a national concern, and the level of trust in NSPs (and regulators) was widely perceived to have fallen considerably (see Figure 3.10); and

c) The number of technological, regulatory, market and customer changes that had potential to profoundly impact the NSP sector was escalating, so only a comprehensive, high integrity approach would be accepted as being a valid input to the Regulatory Proposal and Determination processes.

Figure 3.10: A sample of news media headlines from around Australia

Recognising that engaging with customers in this environment was going to be challenging, our approach was to mitigate customer concern and lack of trust by demonstrating SA Power Networks' commitment to being highly transparent including by involving trusted third parties in our CEP activities. Consequently, we decided to use independent experts to help both design and facilitate our CEP.

Subsequently, we researched suitable vendors before initiating a formal tender process in February 2013. An Expression of Interest (**EOI**) was issued to selected parties seeking a suitably qualified and experienced consultant to manage scheduled external stakeholder engagement activities.

SA Power Networks' standard request for tender process is aimed at maintaining procurement practices that:

- are clearly aligned with the priorities and objectives of the SA Power Networks Strategic Plan and budget;
- provide value for money with an acceptable level of risk;
- achieve ethical conduct with probity and accountability;
- establish positive relationships with suppliers that contribute to the optimisation of SA Power Networks' profitability; and
- demonstrate appropriate levels of control and performance.

The rigorous tender process assessed a number of criteria including demonstrated experience and capability in:
- similar scale projects;
- customer research using focus groups;
- research and engagement planning, analysis, quality control and reporting;
- data security, data management, and survey hosting;
- survey design; and
- delivering within prescribed timeframes.

Subsequently, Deloitte were appointed to provide SA Power Networks with an independent, strong, credible and authentic engagement process that could be relied upon as a mechanism to address consumer concerns. Deloitte teamed with Second Road for specialist engagement services. At this early stage, The NTF Group was also identified for potential specific specialist research approaches post stage one implementation.

3.4.7 External expertise

The Deloitte team had a research unit in Adelaide and they were responsible for:
- independent guidance on research methodologies and approach, program design, objective setting, topic development and sampling;
- design, independent facilitation, residential participant recruitment, capturing customer inputs, data management, analysis and reporting for the workshops; and
- design, hosting, data management analysis and reporting of the stage one online survey.

> **Stage one workshop:**
> "I was impressed with the structure, the facilitator's devised- just right balance of input (from key people and action/ input from stakeholders). On arrival I thought that SA Power Networks had opted out to Deloitte but as we got into it I was so wrong. Will look forward to seeing the "professional" report and seeing what I can use."
> Industry group, Metro

Second Road is a strategic innovation and engagement firm experienced in applying design thinking principles in collaborative environments. Second Road's role in our CEP extended to providing expertise on:

- guidance on research approaches;
- the independent facilitation of customer insights into our integration and planning process;
- the independent facilitation of strategic conversations workshops (vegetation management and undergrounding);
- session and conversation design; and
- documenting the findings.

Targeted strategic workshop:
"Sensible robust discussion, focussed discussions that had specific direction and purpose. Excellent facilitation."
Resident, Regional

The NTF Group (**NTF**) are experienced marketing consultants, computer and social scientists, mathematicians, and statisticians with experience in the utilities industry. NTF's role in our CEP extended to:

- guidance on Willingness to Pay and discrete choice survey implementation;
- sampling and participant recruitment;
- hosting and implementation of the survey;
- data management; and
- analysis and reporting on our targeted Willingness to Pay survey.

These organisations provided expertise in key matters central to design and implementation of the engagement program at various times.

3.4.8 Detailed topics for engagement

For stage one, it was necessary to establish a set of detailed topics for engagement in the CEP (see Table 3.4). Deloitte assisted with developing these topics. This was important to facilitating the design and approach to the workshops and subsequently the design and development of the questionnaire for the online survey.

Table 3.4: TalkingPower engagement subjects by key topic area

Topic area	Subject matter covered
Customer experience *This topic seeks to identify things that are important to participants in their interactions with SA Power Networks, whether in direct contact or when accessing information or services.*	• SA Power Networks role and responsibilities; • components of an average bill for business and residential customers; • potential impact on future electricity prices due to planned investments in the next period; • existing customer self-service tools; • brand awareness; • customer service experience and customer satisfaction; • customer issues and concerns; • ways to improve customer satisfaction; • value of customer service across different channels; • customer experience attributes and how they influence customer satisfaction; • customer preferences for access to services and information; • technology and device usage; and • customer experience expectations for the future.
Community safety and reliability *This topic seeks to understand participants' opinions and the level of importance they place on activities undertaken to ensure community safety and the reliability of electricity supply.*	• what does community safety and reliability mean; • how SA Power Networks manages electricity assets; • key considerations in delivering reliable power including peak load demands, ageing infrastructure, weather events, corrosion, vegetation, bushfires and fluctuating quality of supply from solar feed-in; • customer issues and concerns regarding community safety and reliability; • customer satisfaction with current levels of reliability; • ways to improve community safety and reliability; • inspecting, maintaining and upgrading the network; • reinforcing the network; • hardening the network against lightning and storms; • ageing infrastructure and its relationship to asset inspection and replacement programs; • why and how SA Power Networks clears vegetation; • issues and concerns surrounding vegetation trimming; • exploring ways to address customer concerns including more frequent tree trimming, planting the right vegetation in the community and undergrounding wires or tree removal/replacement; • customer education requirements surrounding vegetation trimming; • how SA Power Networks minimises bushfire risks; • ensuring CFS bushfire safer precincts have supply during extreme weather conditions; • more frequent inspections and maintenance; and • building power lines less prone to fire starts.
Visual amenity *This topic seeks to understand participants' thoughts and the level of importance they place on the proposed activities to be undertaken by SA Power Networks that impact on the visual amenity of areas surrounding the network*	• the importance of visual amenity; • how can SA Power Networks improve the visual impact of the network; • undergrounding of power lines and examples; • upgrading substations to fit their setting; • customer issues and concerns regarding 'fit-for setting' substations; • customer criteria for prioritising enhancements to substations to be fit-for-setting; • suitable locations for 'fit-for setting' substations; • undergrounding for visual amenity; and • customer criteria for prioritising undergrounding.
The evolving customer *This topic seeks to determine participants' understanding of and their opinions with respect to proposed changes to the electricity industry, and how these changes affect them.*	• what could happen in the future; • customer awareness of the impact of new technologies on the electricity network; • what can be done to meet evolving customer needs including upgrades to support a two-way network, exploring cost-reflective pricing and the introduction of smart meters and energy management systems; • customer awareness of smart meters and their benefits; • customer knowledge and value of cost-reflective tariffs; • customer understanding and their education needs regarding new tariffs and metering systems; and • future ideas including what kinds of information, services and products customers desire.

Source: SA Power Networks 2014

3.4.9 Customer engagement methodologies and approaches

No one-size fits all model exists for stakeholder engagement, consequently our CEP process is tailored to the needs of the project, stakeholders and situation.

Table 3.5 summarises each level of engagement and the methodology and approach used for each type of engagement. Detailed explanation of our methodology and approach is covered in the implementation section, section 4.

Table 3.5: TalkingPower Customer Engagement Program - engagement methodologies and approaches

Stage Engagement description	Participation type	Methodology
Preparation		
Customer Management Model	• Focus groups • In-person interviews • CATI survey	Qualitative Qualitative Qualitative and quantitative
Research stage 1		
Stage 1 Customer Workshops	• Workshops	Qualitative and quantitative
Stage 1 Online Survey	• Online survey	Qualitative and quantitative
Consumer Integration and Intent Workshops	• Workshops	Qualitative and quantitative
Strategy stage 2		
Stage 2 Targeted Strategic Workshops	• Workshops	Qualitative and quantitative
Stage 2 Customer Workshops	• Workshops	Qualitative and quantitative
Willingness To Pay research	• Online discrete choice survey	Qualitative and quantitative
Targeted Strategic Workshops Outcomes Forum	• Forum	Qualitative
Directions and Priorities 2015 to 2020 consultation	• Consultation paper	Qualitative
Service-Price trade-off	• Focus groups • Online survey	Qualitative Qualitative and quantitative

Source: SA Power Networks 2014

3.4.10 Logistical management

The time and effort required to develop an integrated engagement program and to engage with customers in complex technical matters is extensive. Therefore considerable planning, logistical management, resourcing and preparation is key to successful implementation. Planning and implementation considerations extended to:

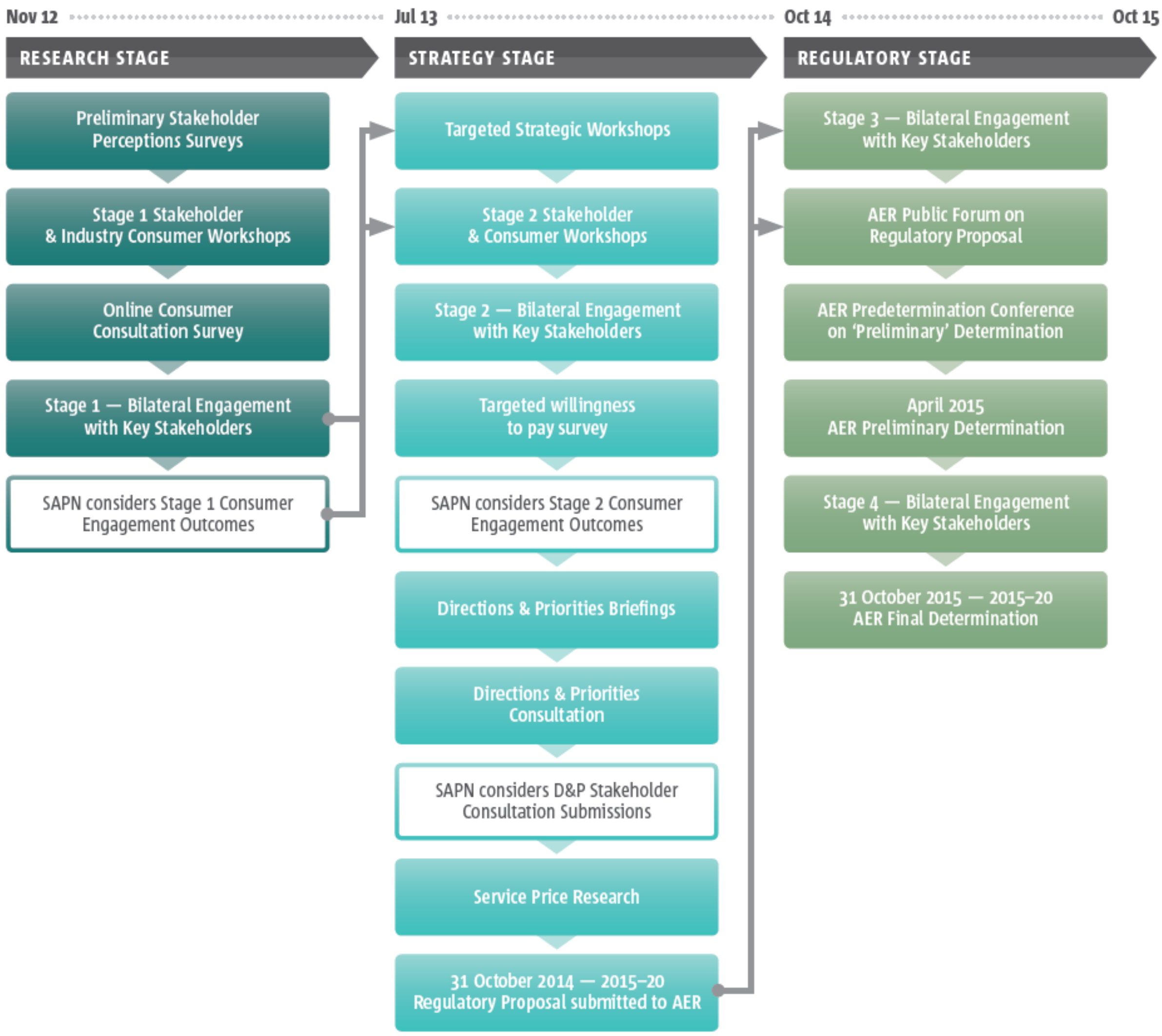
- rigorous expression of interest, request for tender and services procurement processes;
- development of extensive channel and information resources (refer section 3.4.4);
- scheduling and management of state-wide workshops, venues, participant recruitment, and SA Power Networks and external staff (eg Deloitte);
- design, development, validation and release of survey instruments;
- promotional program design, preparation and implementation (for online survey and Directions and Priorities);
- scheduling and implementation of multiple SA Power Networks workshops to both develop CEP content and review CEP outputs for integration into planning;
- design, preparation and implementation of specialist surveys (eg. Willingness to Pay);
- design, development and publication of consultation papers;
- extensive stakeholder liaison at all phases for various purposes; and
- ongoing communications management at all phases of the CEP.

4. Customer Engagement Program implementation

This section discusses the implementation of our CEP through the Research, Strategy and Regulatory stages shown in Figure 4.1. Our CEP plan outlines timing, resourcing and responsibilities. They are covered in chronological order in this section as follows:

- Research stage (stage one)
    - Stakeholder and Consumer Workshops
    - Online Consumer Survey
    - SA Power Networks integration of customer engagement outcomes
- Strategy stage (stage two)
    - Stakeholder and Consumer Workshops
    - Targeted Strategic Workshops
    - Willingness to Pay Online Survey
    - Targeted Strategic Workshops Outcomes Forum
    - Service-Price focus groups and survey
- Regulatory stage (stage three)
- Bilateral engagement

Figure 4.1: SA Power Networks' TalkingPower CEP



Source: SA Power Networks 2014

4.1 Research Stage (stage one)

The 'Research' stage focused on 'listening'. Providing objective information to customers about the energy industry and network services facilitated identification of our customers' expectations and concerns as inputs into the development of the services and investments required for 2015-20.

This stage focused on gaining initial understanding of consumer issues and concerns around the objectives for the four topic areas:

- customer experience
- community safety and reliability
- visual amenity, and
- the evolving customer.

During the research stage seven workshops were held across the State (March-April 2013) with electricity customers and stakeholders.

The results further informed the design of an online survey which was conducted from May through to June 2013 with 2,883 responses being received from the community.

Qualitative and quantitative research methods were used to collect and analyse customer information in workshops, online and phone surveys. Qualitative methods were used for bilateral consultation.

This exercise, which incorporated feedback from almost 3,000 consumer representatives, provided consumer insights about SA Power Networks, its services and brand, in addition to the electricity industry in general.

These engagement outcomes and customer insights were then reviewed and considered by SA Power Networks prior to implementation of the next stage focussed on strategy.

4.1.1 Stage one stakeholder and consumer workshops

The Talking Power CEP commenced with investigative workshops with customers intended to find out more about consumer sentiments and opinions on the key topic areas identified in the research objectives.

4.1.1.1 Approach and methodology

During April 2013 Deloitte facilitated seven Stage one stakeholder and industry workshops involving over a hundred people from around the State.

Deloitte were responsible for design, facilitation, capturing customer inputs, analysis and reporting for the workshops.

Deloitte assisted with the development and positioning of the objectives for the workshops to ensure participants were able to easily understand the engagement topics and therefore in a position to provide valuable feedback.

> **Stage one workshop:**
> "Well structured, engaging, clear continuous feedback. Well paced, well facilitated Deloitte + Transparency + Availability of SAPN"
> Commercial, Metro

Three separate workshops were held in the CBD specifically for Residential customers; Business customers; and Government, Council and Other interest groups.

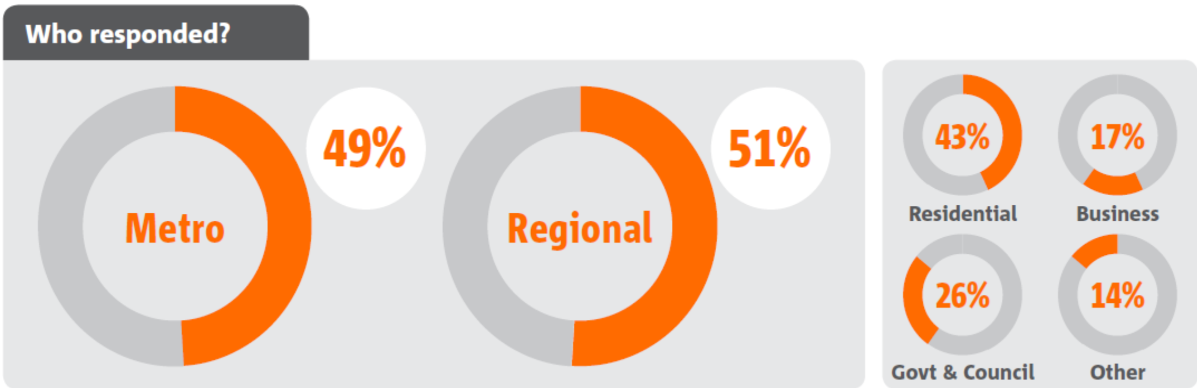
An additional four workshops were held in regional SA - the Riverland, Mt Gambier, Port Augusta and Port Lincoln; where participants included a mix of residents, business, council and other interest groups.

A sample of South Australian electricity consumers was obtained to ensure insights presented were representative of all consumers. Residential participants (43) were recruited by a dedicated market research recruitment agency to achieve a robust sample of participants with mixed attributes such as gender, age demographic, billing segment, native language, disability and solar panel use.

> **Stage one workshop:**
> "Interactive, engaging and everyone was included"
> Council, Rural

A total of 157 different organisations and special interest groups were invited to the workshops, resulting in the attendance of 17 Business customers, 14 Government, 12 council and 14 participants from welfare or special interest groups or agencies across the seven workshops (see Figure 4.2). Observers from the AER, the OTR, ESCOSA and the Energy and Water Ombudsman also attended the workshops.

Figure 4.2: Deloitte Stage one workshop demographics



Source: Deloitte, Stage one customer & stakeholder workshops, 2013

The agenda for the Workshop was coupled with sequential exploration of the key topics and associated objectives:

- Introduction to SA Power Networks
- Topic 1: The customer experience
- Topic 2: Community Safety & Reliability
- Topic 3: Visual amenity
- Topic 4: The evolving customer
- Future ideas, feedback & wrap up

Providing background information on SA Power Networks role in the electricity network and topics for discussion was essential for shared understanding and education material including DVD footage and information boards were developed for use as aids in the workshops.

> **Stage one workshop:**
> "Presentation was well set out. Everyone invited us in a good mind - set to share experiences - presenters were well prepared to deliver content and answer questions"
> Business/commercial, Rural

Participants were made aware through directional pricing discussions that based on the financial market conditions and indicative forecasts as at April 2013, network prices were not expected to increase by more than CPI in the 2015 – 2020 period.

4.1.1.2 Stage one workshops summary

Four worksheets were developed, distributed and completed by participants during the workshops for the four consultation topics. In excess of 1400 data points were recorded and it was apparent that when providing feedback on the specific topics of Customer Experience, Community Safety & Reliability, Visual Amenity and The Evolving Customer, participants were able to provide clear feedback on their issues, concerns and priorities.

Figure 4.3: SA Power Networks senior management presenting at stage one workshops

The output from the workshops was analysed by Deloitte using a mix of quantitative and qualitative research methods. Generally participants across all customer segments and locations indicated support for the proposed initiatives. There was a slight emphasis from participants on investment that leads to either increased reliability or increased safety.

> **Stage one workshop:**
> "Flowing conversation. Learning about current and proposed initiatives. Being able to give input. Love idea of conversation plus written input."
> Residential, Rural

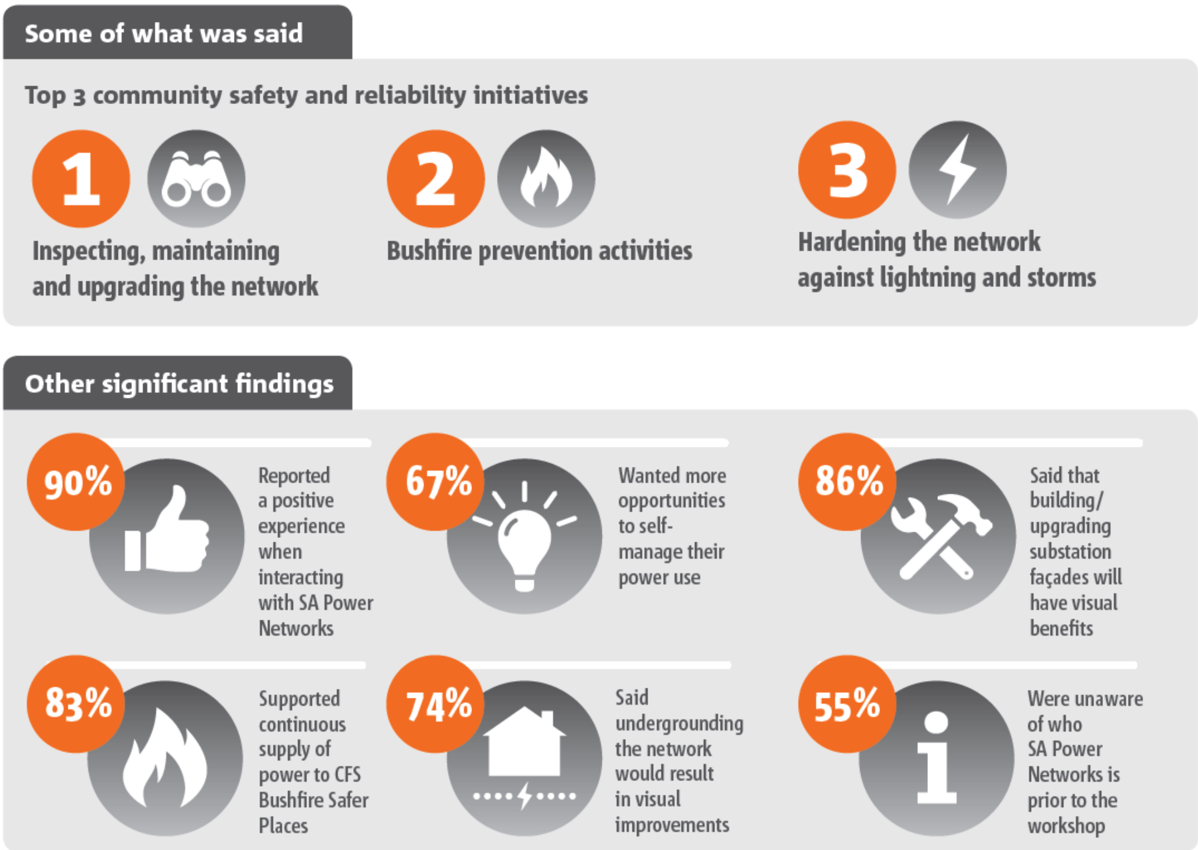
Participants indicated that over the long term, cost efficiencies and savings should be realised if SA Power Networks is proactive and places priority investment in preventative asset management activities.

Figure 4.4: Worksheet exercises and data capture during TalkingPower Stage one workshops, April 2013

A snap shot of a portion of the results is provided in Figure 4.5[10].

[10] Deloitte, Stage 1 Stakeholder & Consumer Workshop Report, July 2013.

Figure 4.5: Deloitte Stage one workshop results snapshot



Source: Deloitte, Stage one customer & stakeholder workshops, 2013

Workshop participants were surveyed at the conclusion of each workshop seeking views on their workshop experience. Feedback was gathered via feedback forms from customers at the end of the workshops on the content, conduct and value.

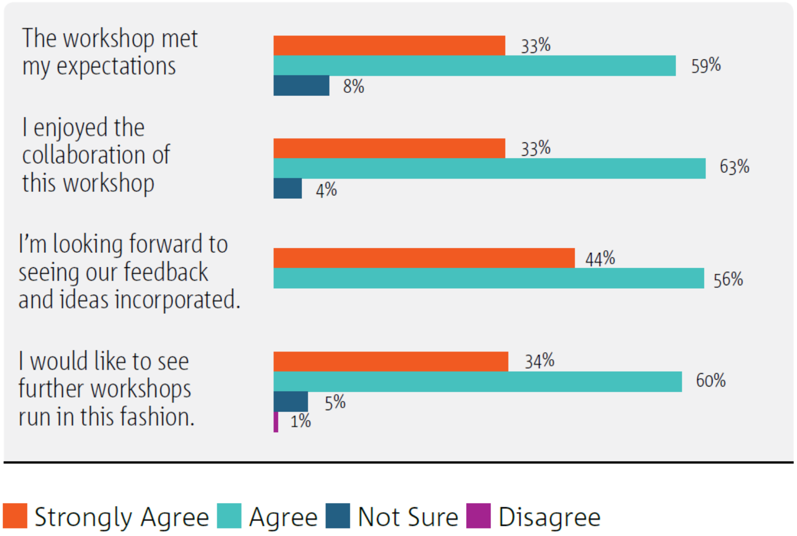
Feedback on the way the workshops were conducted was overwhelmingly positive and participants requested ongoing engagement on electricity industry issues that affected them and their communities.

> **Stage one workshop:**
> "Very well ran. Appreciated that before any questions were asked you supplied us with a great deal of information. I think this allowed me/ others to form better opinions. Concerns we raised were answered extremely well"
> Resident, Rural

It was found that:

- 92% of participants agreed or strongly agreed the workshop met their expectations;
- 96% enjoyed the collaboration in the workshop;
- 100% are look forward to seeing their feedback and ideas incorporated; and
- 94% would like to see further workshops run in the same fashion.

Figure 4.6: Participant feedback on workshops 11 April to 19 April 2013



Source: Deloitte, Stage one customer and stakeholder workshops, 2013

The consumer insights in the stage one workshops were later distilled and correlated with the results of the online survey and ultimately used to assist in the consolidation of insights from stage one.

The stage one stakeholder and consumer workshop report prepared by Deloitte is available on our TalkingPower.com.au website and in the Regulatory Proposal Attachment 6.3.

4.1.2 Stage one online survey

The Online survey was designed to build on the key themes and issues that emerged from the workshops in April 2013 by seeking the views of as many South Australian electricity consumers as possible.

4.1.2.1 Approach and methodology

Deloitte was responsible for the survey design, hosting the online survey, managing the 1300 number, survey implementation, collecting and analysing data and reporting results. Survey questions were developed using insights collected from Stage one stakeholder and industry workshops combined with the key research objectives detailed earlier.

The survey design was comprehensive and for some participants included 64 questions, taking approximately 25 minutes to complete.

For SA Power Networks, the Essential Services Commission of South Australia (**ESCoSA**), retains responsibility for setting service levels via its Service Standards Framework (**SSF**). Under the National Electricity Rules (**NER**), we are required to meet the associated jurisdictional standards efficiently and prudently.

The survey included questions designed by the ESCoSA. This process was facilitated independently of both organisations by Deloitte. This was important as ESCoSA planned to utilise findings from the customer survey as an input in validating and/or amending the SSF to apply to SA Power Networks for the 2015-20 RCP.

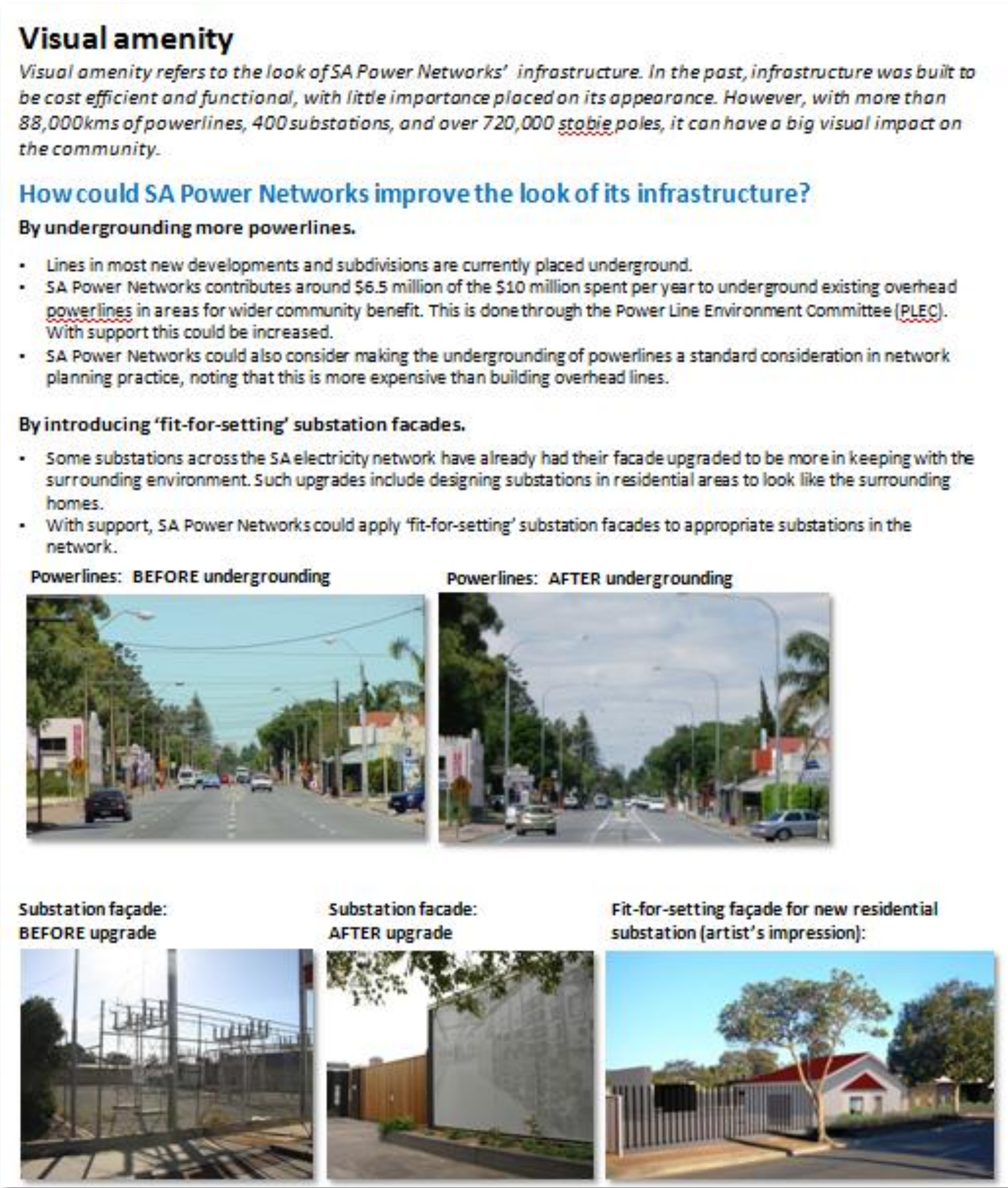
The TalkingPower online survey was implemented by Deloitte and hosted on Deloitte's Dtermine platform. It was conducted between 21 May and 11 June 2013 and was open to all South Australians.

In order to maximise the accessibility of the survey to consumers, a 1300 telephone number was available so that consumers without internet access could complete the survey and express their opinions and views. In addition to the 1300 number, a total of 75 randomly sampled outbound calls were made during the last week of the survey period to proactively reach out to customers.

Participants were made aware through directional pricing at the commencement of the survey "that there are a number of complex factors that impact electricity prices. However, current indications are that, even with the initiatives discussed in this survey, any network price increases in the 2015-2020 period are likely to be less than those experienced in the current 2010-15 period".

In order to ensure respondents possessed an underlying level of knowledge about the initiatives and topics discussed, brief education pieces were presented prior to respondents completing this section of the survey and replicated the content used in the earlier workshops (see Figure 4.7 & 4.8).

Figure 4.7: Online survey 'Visual amenity' education piece



Source: Deloitte, Stage one online survey, 2013

Figure 4.8: Online survey ‘The evolving customer’ education piece

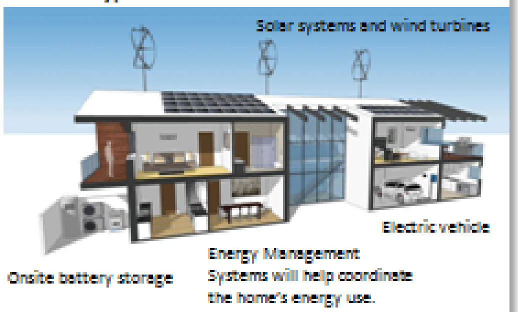
The evolving customer

Over the past five years, customers have been increasingly installing new types of equipment in their homes:

- *1 in 5 homes now have Solar PV*
- *Customers are installing much larger ‘commercial scale’ air-conditioners*
- *New technologies such as onsite battery storage and electric vehicles are becoming available.*

Neither the electricity network nor the way customers are charged for their electricity were designed for large-scale adoption of such technologies.

Potential typical residence in 2026



What does this means for SA Power Networks and the customer?

As customers continue to add more of these technologies to their household, SA Power Networks will need to continue to upgrade the network to support them and manage the emerging two-way flow of electricity.

However, due to the way customers are currently charged for their electricity, which is based on energy consumed rather than the way they use the network, the customers installing these new technologies do not necessarily pay their equitable share for their connection to the network or any upgrades that may be required. This means the customers who don’t have these technologies end up paying more.

How can SA Power Networks charge more equitably?

Cost-reflective tariffs
SA Power Networks is now exploring options to charge customers based on their peak demand (i.e. their maximum demand) on the network rather than their energy consumption – these options are known as ‘capacity tariffs’.

Smart meters
To be able to measure customers’ peak demand, and bill according to their capacity, the gradual introduction of smart meters will be necessary.

These will help customers to better manage their electricity usage with in-home energy usage displays, web portals and apps.

They also have other benefits, such as SA Power Networks automatically knowing when the power is out at your home, and no longer requiring meter readers to visit your property.

Smart meters will also enable SA Power Networks to manage peak demand by integrating with new intelligent appliances to increase the efficiency of the home’s energy consumption, and help customers further reduce costs.

In-home energy usage display

Source: Deloitte, Stage one online survey, 2013

The SA Power Networks online customer survey was broadly promoted to ensure as many South Australians as possible had the opportunity to participate. The survey was widely publicised through State and local papers, online media, metropolitan and regional radio, as well as social media channels as described in Table 4.1. The media campaign encompassed:

- State-wide press and media notifications;
- State-wide radio advertising targeting metropolitan and regional stations;
- major metropolitan and regional newspaper advertising;
- online banner, roadblock and leaderboard advertising;
- social media including Facebook and Twitter; and
- SA Power Networks and Talking Power website messaging and banners.

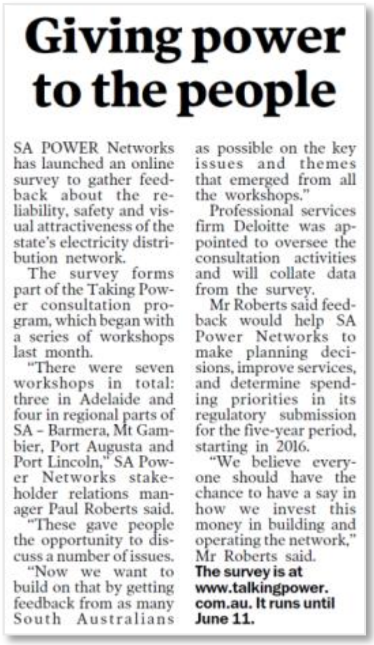
Table 4.1: Stage one online customer survey - summary of customer reach

Communication medium	Audience	Reach
Press	448,659	891,813
Radio	83,220	6,840,000
Online	23,019	5,937,451
Social Media	18,911	1,306,039
TalkingPower website*	632 (unique visitors)	1,503
Database marketing*	114	124

*does not include SA Power Networks personnel.

Source: SA Power Networks, 2013

Figure 4.9: TalkingPower press article, digital and print adverts, May-June 2013



Giving power to the people

SA POWER Networks has launched an online survey to gather feedback about the reliability, safety and visual attractiveness of the state's electricity distribution network.

The survey forms part of the Taking Power consultation program, which began with a series of workshops last month.

"There were seven workshops in total: three in Adelaide and four in regional parts of SA - Barmera, Mt Gambier, Port Augusta and Port Lincoln," SA Power Networks stakeholder relations manager Paul Roberts said.

"These gave people the opportunity to discuss a number of issues.

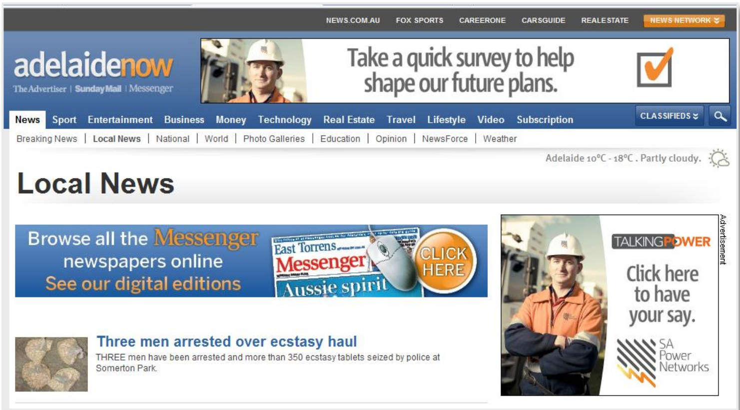
"Now we want to build on that by getting feedback from as many South Australians as possible on the key issues and themes that emerged from all the workshops."

Professional services firm Deloitte was appointed to oversee the consultation activities and will collate data from the survey.

Mr Roberts said feedback would help SA Power Networks to make planning decisions, improve services, and determine spending priorities in its regulatory submission for the five-year period, starting in 2016.

"We believe everyone should have the chance to have a say in how we invest this money in building and operating the network," Mr Roberts said.

The survey is at www.talkingpower.com.au. It runs until June 11.

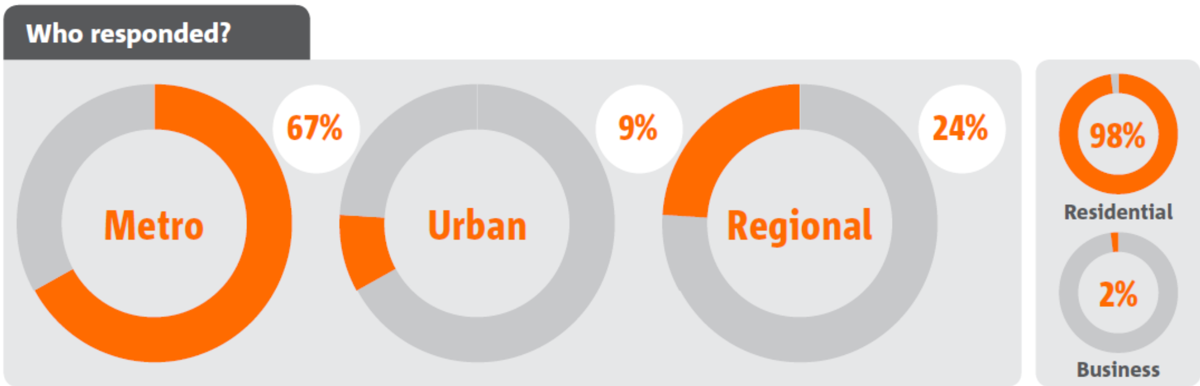


A total of 2883 people participated from around the State, consisting of 2829 residents and 54 business participants. The number of participants significantly exceeded our expectations as 389 was sufficient to be representative of the population.

A regional balance of participants was also verified with postcode analysis signifying balanced representation when correlated with customer data - 1933 metropolitan, 688 regional and 262 urban participants (Figure 4.10)*.

**Corresponds to ESCoSA regional Major Metropolitan Areas which include Mt Gambier, Mt Barker, Port Lincoln, Port Augusta and Whyalla.*

Figure 4.10: Stage one online customer survey - demographics



Source: Deloitte, Stage one online survey, 2013

Demographic analysis confirmed that the survey is representative of the South Australian population and that the total number of respondents significantly exceeded the minimum requirement of 384 for statistical significance. The small sample size (54) of business participants provides less confidence of the representativeness of the South Australian business population.

4.1.2.2 Stage one online survey summary

The output from the surveys was analysed using a mix of quantitative research methods. Survey data was analysed by customer segment, respondent location, age, household income level and solar photovoltaic (PV) system use.

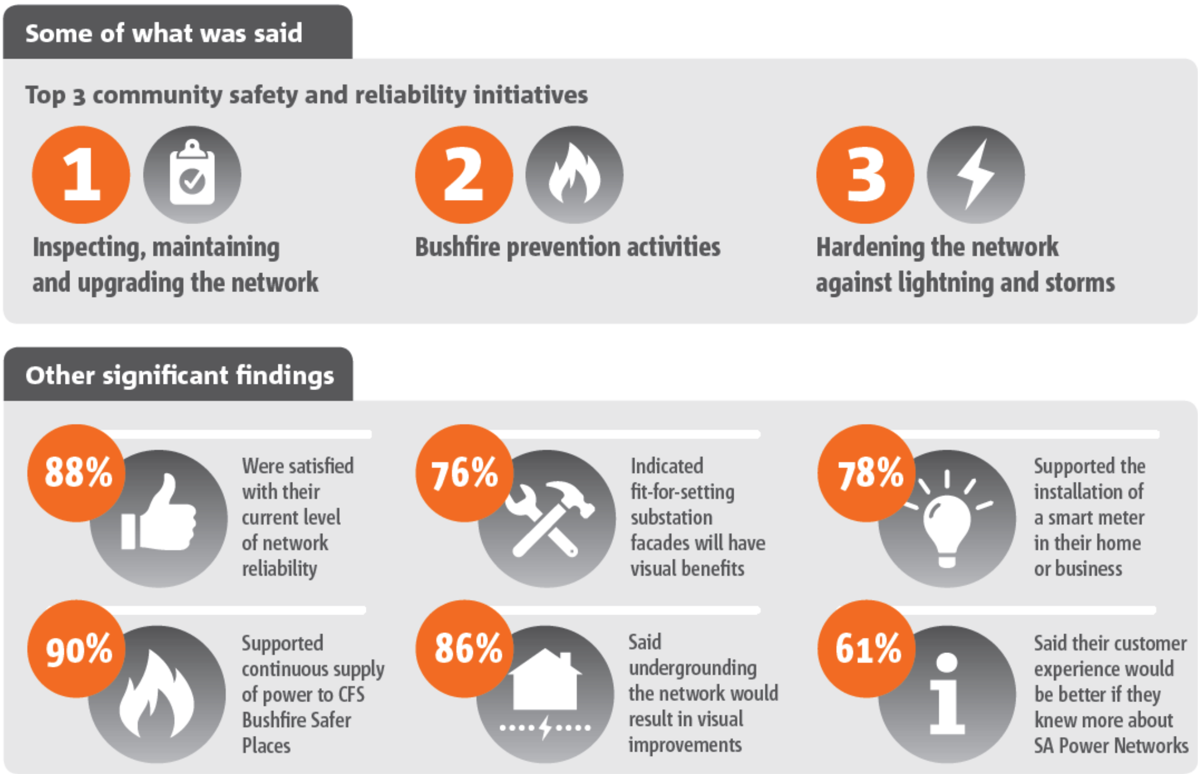
A total of 202 SA Power Networks personnel completed the survey. Comparative analysis of responses was undertaken by Deloitte and the results did not materially differ from overall respondent results.

The survey outputs provided consumer insights about SA Power Networks, its services and brand, in addition to the electricity industry in general. A snap shot of a portion of the results is provided in Figure 4.10[11]. The stage one online consumer survey report prepared by Deloitte is available on our TalkingPower.com.au website and in Attachment 6.5.

A total of 13 key insights were gathered during the online survey. These are detailed in the stage one findings and consumer insights in the next section.

[11] Deloitte, Stage 1 Online Consumer Survey Report, July 2013.

Figure 4.11: Deloitte stage one online consumer survey results snapshot



Source: Deloitte, Stage one online survey, 2013

75% of stage one online survey participants indicated their willingness to participate in future SA Power Networks surveys.

4.1.3 Stage one findings and consumer insights

At the conclusion of Stage one engagement activities, Deloitte reviewed the views and concerns from the workshops and online survey and consolidated the findings of the workshops and survey into 13 key consumer insights.

One output, brand awareness, differed appreciably between the workshops and the online survey. This was not surprising given the timing of the brand name change from ETSA Utilities to SA Power Networks in late 2012 and the timing of the workshops in March-April 2013. In the online survey all promotion leading to the survey was clearly branded SA Power Networks.

4.1.3.1 What we learnt from our stakeholders and customers in Stage 1

The insights in Table 4.2 are the views of South Australian electricity customers and are drawn from the research phase of the CEP stakeholder consultation program.

Figure 4.12: Core topic areas for customer insights

Source: SA Power Networks, 2013

Table 4.2: 13 key insights based on the views of South Australian electricity customers

The consultation confirmed that customers want us to:	
1	**Educate customers about the South Australian electricity industry and SA Power Networks' role.** Customers indicate they would like more information and consultation about SA Power Networks' role in delivering electricity, the role of retailers and the electricity industry in South Australia.
2	**Maximise opportunities to improve service experience.** Customers rate their overall customer experience as positive or neutral while urging SA Power Networks to improve service interactions wherever possible.
3	**Develop multi-channel communication strategies.** Customers want to interact with SA Power Networks using multiple channels (voice, telephone, text, email and social media) for a variety of different actions.
4	**Continue managing assets and investment to drive reliability, manage risk and support economic growth.** Customers rank any asset management initiatives with a direct impact on reliability and/or preventing potential safety hazards as most important. Priority areas included assets located in high bushfire risk areas and near roads in residential areas. Business customers also identified areas that would support economic growth.
5	**Design vegetation management programs (tree pruning) to consider their visual impact.** Customers support vegetation management activities that improved the visual aesthetics and would benefit the wider community.
6	**Prioritise preventative maintenance to reduce risk.** All preventative initiatives should consider potential safety hazards and be completed as a priority when they can help to reduce risks.
7	**Ensure CFS Bushfire Safer Places have continuous power.** Investment in bushfire management initiatives would help to ensure that essential services can be maintained in specific safer places under critical conditions.
8	**Maximise opportunities to improve the visual appearance of assets.** Almost everybody supports initiatives to underground the network and improve the appearance of substation facades. This is a customer priority in areas where the visual appearance of the network has the largest effect on the community.
9	**Consider improvements in public safety and reliability in asset planning** High bushfire risk areas and areas where additional safety and reliability benefits could be realised are customer priority areas for undergrounding the network.
10	**Consider installing advanced meters.** Customers support the adoption of advanced meters to give them greater control over their electricity usage.
11	**Continue upgrades to support a two-way network.** Almost universally, customers favour upgrades to enable a two-way network to support the increasing uptake of new technologies.
12	**Develop cost-reflective pricing tariffs.** Customers are in favour of developing and phasing-in socially equitable cost-reflective pricing strategies.
13	**Educate customers about new technology and industry change to help increase their satisfaction.** Customers say they need education on new technologies and changes to the industry.

Source: Deloitte, Stage two workshops report, 2013

These 'insights' informed the Research stage (stage two) and SA Power Networks' priorities and directions within our regulatory planning process.

In our bilateral engagement briefings during stage one there was interest in the results of the CEP and a number of stakeholders indicated personal interest in participating in further stages of engagement including Stage two workshops and Directions and Priorities consultation.

4.2 Strategy stage (stage two)

The second stage of our CEP focused on 'Strategy'. It was designed to progress and integrate customer expectations and concerns identified in stage one into our business planning. The outcomes of this integration in terms of potential investment and services were presented to customers for confirmation during stage two workshops.

During SA Power Networks initial consideration of the outcomes from the Stage one engagement activities two areas of concern to consumers emerged where we considered there would be benefit from further focus on potential approaches to delivering on customer expectations. Accordingly two targeted strategic workshops (**TSW**) on undergrounding and vegetation management were held on 1 October 2013.

Eight workshops were then held around the State in late October and early November 2013 to validate the earlier research findings, to outline SA Power Networks' broad plans and to obtain customers' views on how well we had captured customer insights in our business plans.

As a result of the TSW we implemented a Willingness to Pay (**WTP**) survey to test customer price sensitivities around specific service enhancements for these two areas.

In March 2014 we held a follow up outcomes forum to provide the opportunity for participants of the earlier TSW workshops to review our progress on the stakeholder-derived principles for enhanced vegetation management and undergrounding strategies they had co-developed in the earlier workshops. The forum also provided the further opportunity for feedback.

The Directions and Priorities consultation document outlined the work we proposed to undertake over the 2015-20 RCP. This work included investments to deliver on our regulatory service standards and to address matters requested by customers about future needs including delivering reliable power to bushfire safer places, to improve the way we manage trees around power lines and to do some undergrounding of power lines to improve road safety.

Stage two also included further engagement via bilateral meetings and briefings. There was a great deal of interest in the results of our consumer engagement, in particular the targeted strategic workshops, Willingness to Pay research and the proposed Directions and Priorities for 2015-2020 consultation.

During stage two Deloitte was responsible for:

- reported engagement outcomes to business integration workshop
- designing the Stage two stakeholder and consumer workshops and materials;
- facilitating the stakeholder and consumer workshops held regionally and in the metropolitan area;
- the collection and analysis of results and reporting on Stage two workshop activities; and
- designing, co-facilitating, and reporting on the two Targeted Strategic Workshops.

These activities are discussed in further detail following.

4.2.1 Customer integration and intent workshops

At the conclusion of the Research stage the customer insights from stage one engagement and supporting evidence were presented to SA Power Networks' business leaders in order to review and assess how they impacted current business and project planning or could be incorporated into future planning.

This review process commenced with two integration workshops held on 29 July 2013. The day commenced with a Consumer Integration Workshop (**CIW**) followed by an Intent Workshop (**IW**).

The key objectives of the workshops were to:

- ensure a common understanding of customer issues and needs;
- assess consumer insights and identify synergies;
- assess interrelationships between planning, projects and the different business units;
- interpretation and facilitation of cross-pollination of ideas, and outputs applied to projects; and
- align projects with consumer insights.

Participants left the workshops with an understanding of how and where customer insights could be further integrated into business planning.

4.2.1.1 Customer integration workshop

The CIW included over thirty key stakeholders from across the business including the CEO, Executive Management Group (**EMG**), the Office of the CEO, Network Management, Field Services, Information Technology, People and Culture, Property Services, Customer Services, Corporate Communications and the Reset Project Team.

The CIW was facilitated in three parts - a plenary session where Deloitte presented the consumer insights, followed by two break-out group sessions workshop a range of services and opportunities that might deliver on customer expectations, noting that many of the customer insights were directly relevant to SA Power Networks' core business activities. The groups assembled later to consolidate feedback and consider integration into strategies, planning processes and projects moving forward.

Figure 4.13: SA Power Networks stakeholders considering customer insights (left), and Second Road facilitating the Intent workshop (right)

4.2.1.2 Intent workshop

The IW was attended by the EMG, representatives from the regulatory team, and senior managers from Stakeholder Relations, Information Technology and Network Innovation.

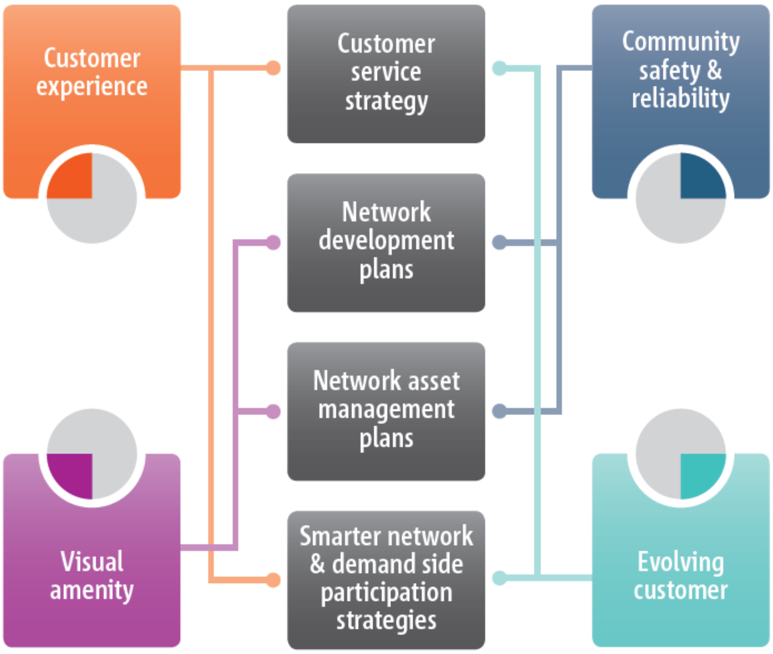
The workshop was structured around developing understanding in 'design thinking' approaches and exploring how these approaches might be used to fit with consumer engagement activities when combined with the outputs of the earlier integration workshop.

The key output of the IW was a shortlist of candidates for further engagement.

4.2.2 Interrelationships with strategies and plans

The CIW opportunities were then further considered and analysed by the responsible business areas to develop plans and refine approaches. Figure 4.13 illustrates how the customer insights are related to the various business strategy areas and plans developed by SA Power Networks.

Figure 4.14: Interrelationships between customer insights (far left and far right) and SA Power Networks' strategies and plans (centre)



Source: SA Power Networks, 2013

4.2.3 Stage two targeted strategic workshops

When planning our CEP strategy, we allowed for time and resources to explore less conventional service concepts that might emerge from the engagement.

Stage one of the CEP did in fact yield strong signals that customers wanted SA Power Networks to do more in the areas of vegetation management and undergrounding. These signals were not surprising, considering the history of community comment and debate in our State with regard to these matters. In the business integration workshop it became evident that there were many options available to address these customer concerns.

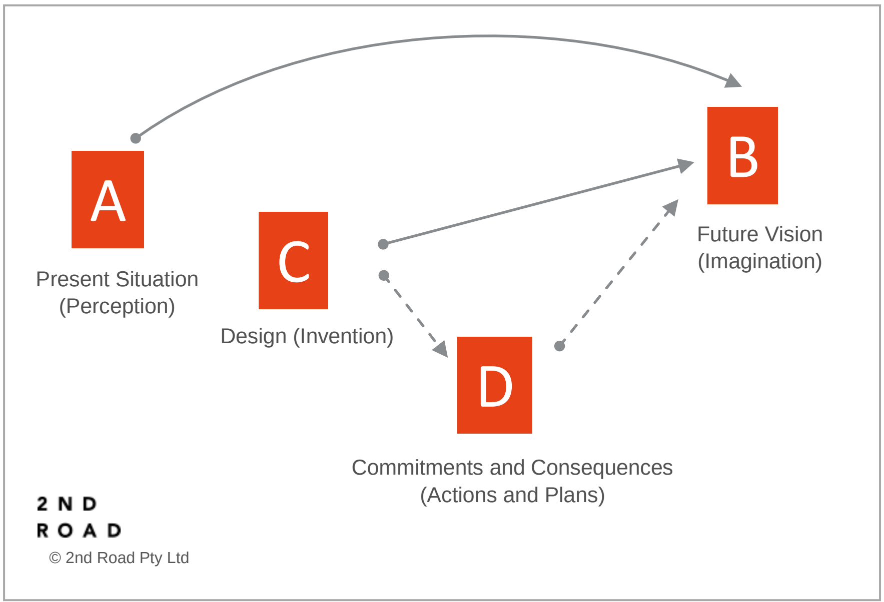
Accordingly, we chose to adopt advanced stakeholder engagement concepts to explore the two topics further. Using Second Road who are expert facilitators skilled at promoting 'design thinking', we decided to bring together stakeholders, subject experts and company staff to collaborate and review issues with the aim to agree on balanced options and appropriate criteria that meet the needs of the community, concepts and principles. The two Targeted Strategic Workshops (**TSW**) on vegetation management and undergrounding, were held in early October 2013.

4.2.3.1 'Design Thinking' and strategic conversations

Second Road assisted with the development of the approach for the targeted workshops which would extend the engagement process into one where customers and their representatives were involved in a collaborative process to determine feasible strategies to address the issues. Second Road have pioneered, and are expert practitioners in, the art of 'strategic conversation' – an engaging way of cohering groups around vision and purpose to progress to developing a clear and actionable set of initiatives. Figure 4.14 illustrates the AcdB methodology which forms the framework for the strategic conversation approach.

A conversation can be guided, but not controlled and the process needs to provide space for new ideas to emerge during the conversation as to what outputs would create value. So the general shape of a strategic conversation is that the first half 'immersion' should diverge across a wider landscape and touch on multiple topics, with more convergence and focus 'synthesis' emerging in the second half of the conversation.

Figure 4.15: Second Road strategic conversation process



Source: Second Road, 2013

4.2.3.2 Approach

Separate workshops on undergrounding power lines and vegetation management were conducted in parallel on 1 October 2013.

Second Road consultants facilitated the two TSWs and participants included customers from stage one workshops, external parties with relevant expertise on the topic as well as key SA Power Networks personnel with responsibility for the relevant business area. A cross-section of the community was obtained with electricity consumers, business, regulatory, local government, media, and emergency services participating.

Participants were provided with objective information about the respective topic including regulatory and safety obligations, the cost of undergrounding power lines and the annual cost of vegetation clearance.

Figure 4.16: Stage two Targeted Strategic Workshops

Workshop participants explored perceptions of the present situation, evaluated possible alternatives with the required commitments (including the consequences) of implementation in order to develop a future vision. With a community view of the future of the State participants collaborated to review issues and agree on balanced options and appropriate criteria that meet the needs of the community. Mind-maps of the many options explored in the vegetation management and undergrounding workshops are shown below.

Figure 4.17: Mind-map from the vegetation management workshop

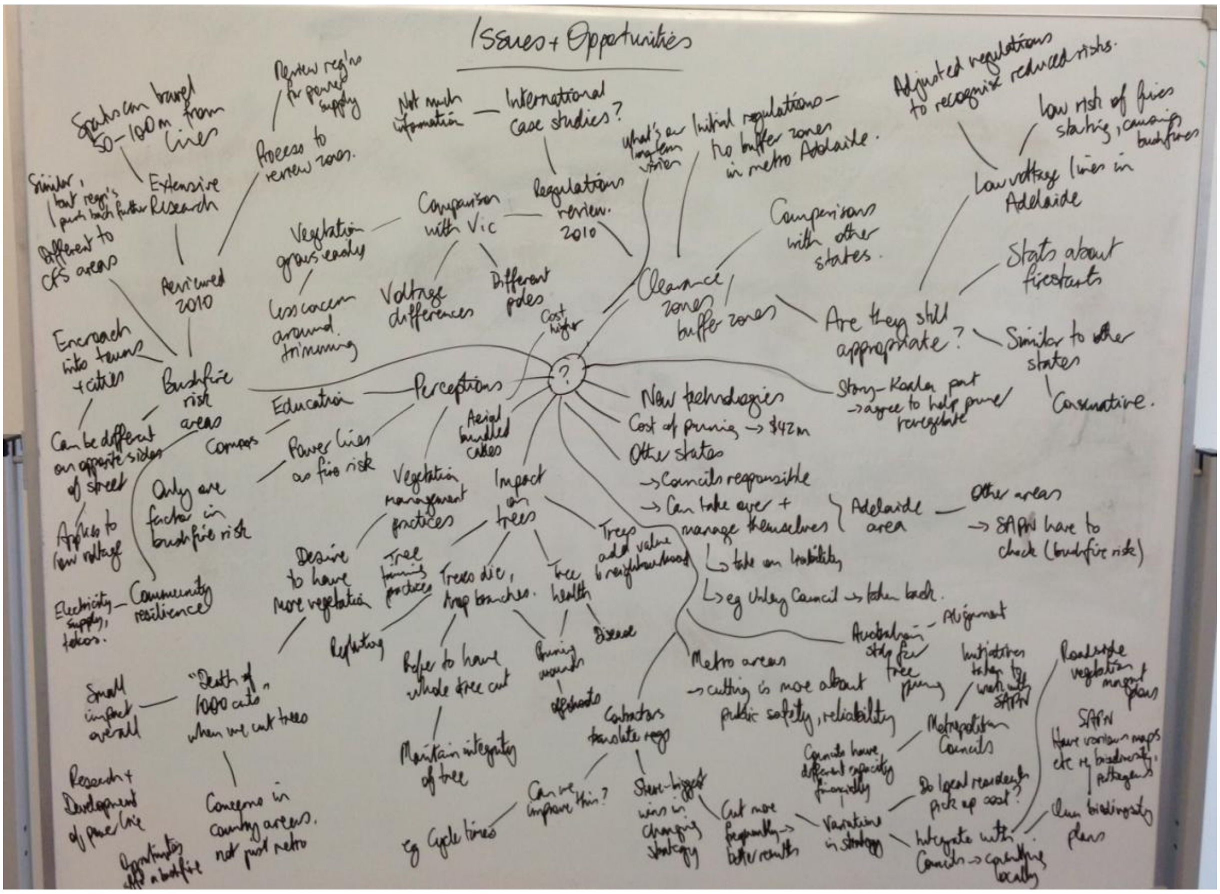


Figure 4.18: Mind-map from the undergrounding workshop

Participants held a common view that more could be done in these areas with a greater emphasis on longer term solutions, managing community safety risks and enhancing stakeholder participation in these activities. The two workgroups developed the following strategies.

4.2.3.3 Stakeholder-derived principles for Vegetation management

The workgroup concluded that SA Power Networks should develop a Vegetation Management plan that facilitates the following:

- preserves community safety as a priority (as legislated and for bushfire prevention)
- minimise vegetation management (tree trimming) over the longer term
- habitat creation programs in priority areas, including removal and replacement of trees
- more advanced tree trimming practices taking into account good horticultural practices and species requirements
- a more differentiated range of approaches suiting different regions and/or environments
- partnering and consulting with communities and groups, and potentially direct conversations with property owners
- education and awareness for communities and councils.

4.2.3.4 Stakeholder-derived principles for Undergrounding

The workgroup concluded that SA Power Networks should develop an Undergrounding plan that facilitates the following:

- Maintains the PLEC program, and
- Place more emphasis on:
  - the long term and balances the benefits with the costs
  - places some priority on undergrounding when replacing assets
  - undergrounding high risk power lines or assets in high bushfire zones
  - undergrounding high risk power lines or assets for improved road safety
  - partnering and consultation with communities and groups.

4.2.3.5 Targeted strategic workshops summary

Through this process participants have been able to drill down deeper into selected topics than was possible in the Stage one stakeholder workshops, and have experienced a new mode of engagement and openness to explore these topics together. At the end of the workshops we promised to provide an update on the outcomes of the strategies developed by the participants in early part of 2014 (further discussed in section 4.2.6).

Strategic conversations provided the opportunity for SA Power Networks to create higher quality inputs into our planning and decision making. It also proves a strong commitment to involving consumers meaningfully and collaboratively in our planning process.

The outputs of these workshops were further developed into concept options, with accompanying cost estimates, by staff teams using the business' detailed knowledge and information sources.

These ideas were then tested further in eight Stage two stakeholder workshops held around the State from 23 October to 6 November 2013. The next step was to test these concepts through a Willingness to Pay (**WTP**) survey to assess the extent that customers were prepared to fund the options.

Over 90% of TSW participants indicated they would like to be involved in future workshops.

The TSW results are contained in the stage two stakeholder and consumer workshop report prepared by Deloitte which is available on our TalkingPower.com.au website and in the Regulatory Proposal Attachment 6.7.

4.2.4 Stage two stakeholder and consumer workshops

The stage two workshops were designed to confirm the outcomes from the 'listening' stage of the CEP and to explore how customer expectations and concerns identified in stage one were being integrated into our planning for the 2015-20 period.

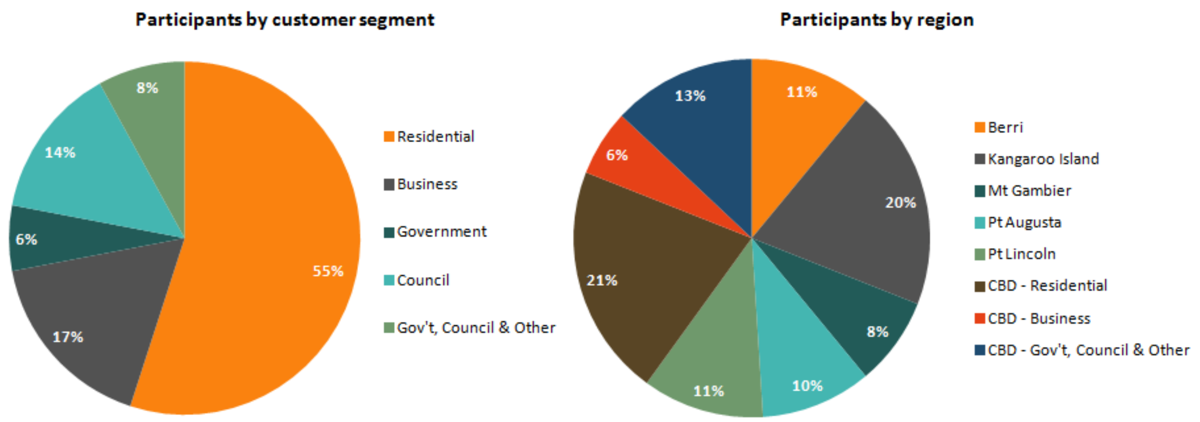
The outcomes of this integration in terms of potential investment and services were presented to customers for confirmation during our stage two workshops.

4.2.4.1 Approach and methodology

Seven workshops were conducted in October and November 2013 in the regions visited in stage one engagement activities - metropolitan Adelaide as well as the Riverland (Berri), Mt. Gambier, Pt. Augusta, and Pt. Lincoln. Consumers who attended the stage one stakeholder and consumer workshops were invited to attend one of the seven stage two workshops.

An additional workshop was also held on Kangaroo Island during Stage two as a result of bilateral engagement discussions.

Figure 4.18: Stage two workshops participant representation



Source: Deloitte, Stage two workshops, 2013

Consistent with stage one workshop there were observers from the AER, the OTR and ESCOSA with participants representing the following customer segments:

- residential consumers
- business consumers
- Government and Council representatives
- other group representatives (including industry, welfare and special interest).

The specific topics discussed during these workshops were:

- validation of 13 Stage one consolidated consumer insights;
- how SA Power Networks has incorporated consumer insights into its business planning process;
- details of SA Power Networks proposed future business plans;
- feedback on two Targeted Strategic Workshops (vegetation management and undergrounding); and
- consumer insights into proposed changes to the ESCoSA set Service Standards Framework.

Participants were again provided a consistent pricing context that the expectation was that networks prices would be limited to no more than a CPI increase.

During the workshops Deloitte presented the 13 consolidated consumer insights to participants and facilitated group discussions to understand how accurately they reflect their views as South Australian electricity consumers. With Deloitte seeking feedback from participants as to whether these proposals met their concerns and expectations.

SA Power Networks shared details of our future business plans, and how these plans are evolving in response to consumer insights.

> **Stage two workshop:**
> "Good to see SA Power Networks has listened to previous sessions and are doing things and making changes."
> Resident, Metro

4.2.4.2 Stage two workshops summary

Workshop verbatim feedback indicated that participants valued this process and viewed the Stage two workshops as an important aspect of the CEP.

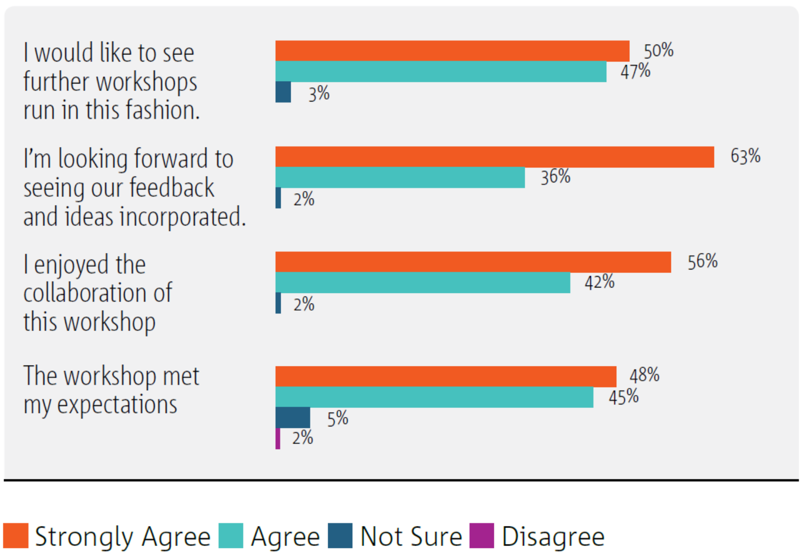
Participants confirmed that these workshops indicated that SA Power Networks is listening to, and acting upon, the insights gathered from its electricity customers.

Formal feedback was obtained from workshop participants through a feedback survey distributed at the completion of the workshops.

It was found that:

- 97% of participants would like to see further workshops run in the same fashion;
- 98% look forward to seeing their feedback and ideas incorporated;
- 98% enjoyed the collaboration in the workshop; and
- 93% of workshop participants agreed or strongly agreed that the workshop met their expectations.

Figure 4.19: Participant feedback on workshops 23 October to 6 November 2013



Source: Deloitte, Stage two workshops, 2013

The top three topics of particular interest to participants were:

1. Community safety and reliability;
2. Vegetation management; and
3. Undergrounding the network.

> **Stage two workshop:**
> "The feedback was excellent. Great to see that these workshops are put to good use and taken seriously."
> Resident, Regional

The stage two stakeholder and consumer workshop report prepared by Deloitte is available on our TalkingPower.com.au website and in the Regulatory Proposal Attachment 6.7.

4.2.5 Willingness to Pay Research

As the customer-initiated principles and proposals for undergrounding and vegetation management translate to a range of potential investment levels, SA Power Networks considered it prudent to test customers Willingness to Pay (**WTP**) using discrete choice modelling techniques. This WTP was independently carried out by The NTF Group during January and February 2014 and involved responses from 895 customers aged 18 to 65 plus. We also undertook some qualitative research on these matters with hardship customers in April 2014.

4.2.5.1 Willingness To Pay research approach

WTP research is used to mimic the choices customers would make if the services were being provided in a competitive marketplace. WTP allows consideration of appropriate service levels and network improvements, based upon the service improvements customers are willing to pay for.

In WTP research there are no accepted deterministic rules governing the level of WTP support that mean a given proposal has community endorsement. Service improvements receiving greater than 50% willingness to pay represent majority customer support. To use an analogy from Federal elections, a political party garnering a 55% majority (in two-party-preferred terms) is deemed to have attracted a significant majority of community support. On that basis, SA Power Networks has adopted a WTP hurdle for improvement proposals of 55% of the community or more being willing to fund the proposal. This hurdle was considered robust if the 55% threshold was achieved amongst all key community segments (ie mainstream, solar PV and hardship customers).

The Regulatory Proposal supporting document 6.12 provides a practical perspective on estimating community WTP. This information is provided to facilitate a deeper understanding of the research methodology.

4.2.5.2 Objectives

The objective of WTP research was to determine what combination of price and network service improvements should be offered to residential SA Power Networks customers in order to maximise the value to the customers for a given cost and service offering around vegetation management around power lines and undergrounding of the electricity network.

The service improvements tested in the WTP research comprised combinations of vegetation management activities and undergrounding power lines in high bushfire risk (**HBFRA**), bushfire risk (**BFRA**) and non-bushfire risk areas (**NBFRA**).

The attributes and levels tested in the WTP research are tabled in Figure 4.3.

Table 4.3: Attributes and levels tested within high bushfire risk areas and bushfire risk areas

Attribute	Level
1. Removal and replacement of inappropriate vegetation in targeted areas within **High Bushfire Risk Areas and Bushfire Risk Areas.** This includes tree replacement activities.	2.5%, 5%, 8%, 10% (approx. equivalent to 250km, 500km, 800km, 1000km of power lines respectively).
2. Undergrounding of power lines in **High Bushfire Risk Areas.**	2.5%, 5%, 7% (equivalent to 135km, 270km, 375km of power lines respectively).

Table 4.4: Attributes and levels tested within non- bushfire risk areas

Attribute	Level
1. Vegetation trimming frequency	2 years, 3 years
2. Removal and replacement of inappropriate vegetation in relevant areas	0%, 2.5% (approx. equivalent to 30km or 45km depending upon trim rate), 5% (approx. equivalent to 60km or 90km depending upon trim rate).
3. Undergrounding of power lines to improve visual amenity	2.5%, 5%, 7% (equivalent to 135km, 270km, 375km of power lines respectively).

Table 4.5: Attributes and levels tested to address traffic blackspots

Attribute	Level
1. Undergrounding of power lines to address Traffic Blackspots	10 Traffic Blackspots (approximately 5 intersections and 5km of road). 20 Traffic Blackspots (approximately 10 intersections and 10km of road). 30 Traffic Blackspots (pproximately 15 intersections and 15km of road).

Source: The NTF Group, Targeted Willingness-to-Pay Research Findings, 2014

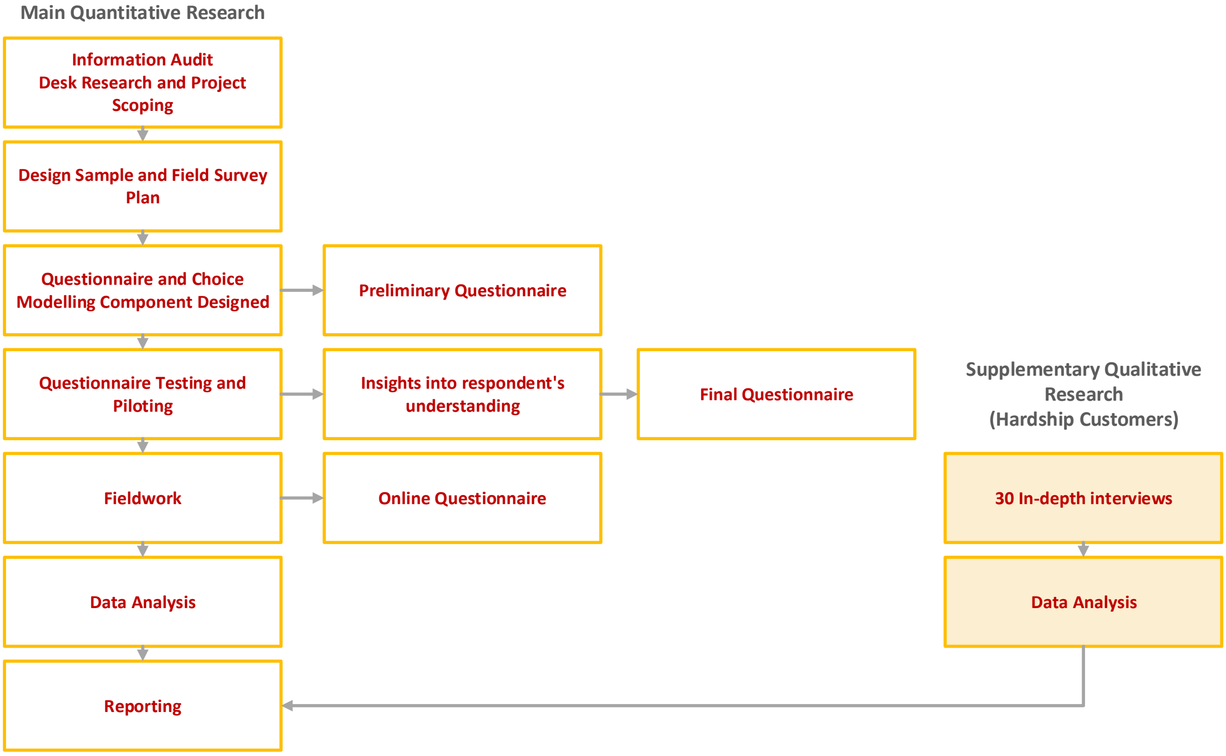
4.2.5.3 Approach and methodology

The schematic in Figure 4.20 outlines the methodological process undertaken for the quantitative and qualitative research components. A 20 minute online survey was launched mid-January 2014 and a sample of 895 electricity customers was achieved by mid-February 2014. Participants from each of the ESCoSA SSF regions were obtained. Choice modelling was utilised to test customer WTP for attributes associated with vegetation management and undergrounding power lines.

Supplementary qualitative research was undertaken to delve deeper into the hardship customer segment after the quantitative survey, outlined above, had been completed. Thirty in-depth interviews were conducted face-to-face with respondents. The purpose of these in-depth interviews was to better understand the attitudes and motivations of hardship customers with respect to their Willingness to Pay decisions. Disadvantaged suburbs were identified by the Australian Bureau of Statistics SEIFA[12] score within South Australia.

[12] SEIFA is one of a set of metrics published by the Australian Bureau of Statistics which describe areas according to their relative level of socio-economic advantage/disadvantage.

Figure 4.20: WTP research methodological process



Source: The NTF Group, Targeted Willingness-to-Pay Research Findings, 2014

4.2.5.4 Summary of community WTP outcomes

Customer Willingness to Pay is correlated with satisfaction and their experience of the network. The more satisfied a customer is with the network, its reliability and SA Power Networks' notification of impending outages and their speed of restoration, the more prepared they are to pay for network and service improvements.

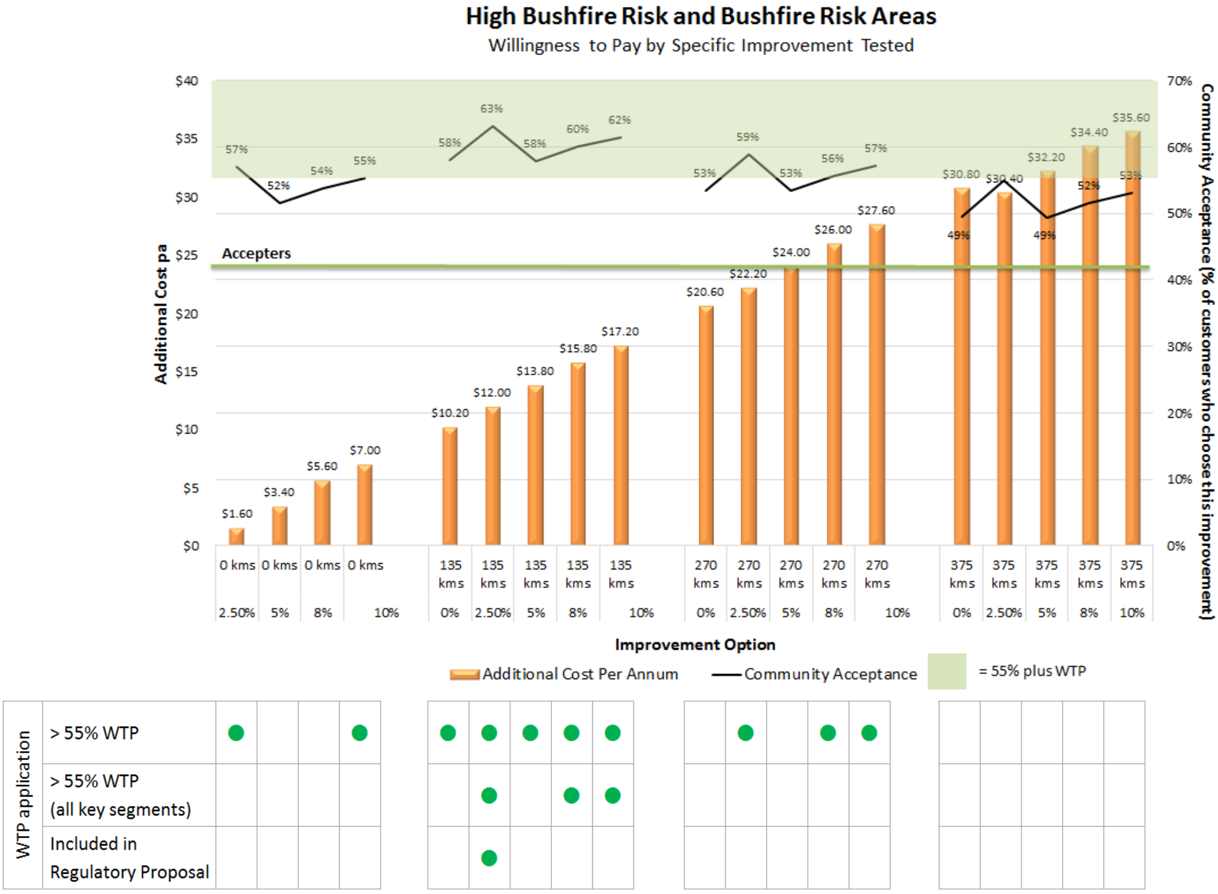
As mentioned earlier, SA Power Networks has adopted a WTP hurdle for improvement proposals of 55% of the community or more being willing to fund the proposal. This hurdle was considered robust if the 55% threshold was achieved amongst all key community segments (ie mainstream, solar PV and hardship customers).

4.2.5.4.1 *WTP Bushfire Risk Areas*

Figure 4.21 shows the level of Willingness to Pay (black line) for each combination of improvement initiatives tested in High Bushfire Risk Areas (**HBFRAs**) and Bushfire Risk Areas (**BFRAs**). The orange bars represent the associated incremental annual amount customers would be asked to pay. The chart is organised into four groups, corresponding with the four levels of undergrounding (0, 135, 270 and 375 kms) tested.

Within each of these groups there are four or five different vegetation management options (removal and replacement of inappropriate vegetation under power lines in spans subject to inspection and clearance: 0%, 2.5%, 5%, 8% and 10% of spans). The green 'accepters' line shows the percentage of respondents who accepted all improvement options presented to them relating to high bushfire and medium bushfire risk areas.

Figure 4.21 Willingness to Pay by specific improvement tested – HBFRAs and BFRAs



Source: The NTF Group, SA Power Networks Targeted Willingness to Pay Research — Research Findings, July 2014.

At least 55% of the community were prepared to pay for ten of the nineteen improvements tested in bushfire risk areas. Of these 10 improvements, three of them had at least 55% WTP among each of the key segments.

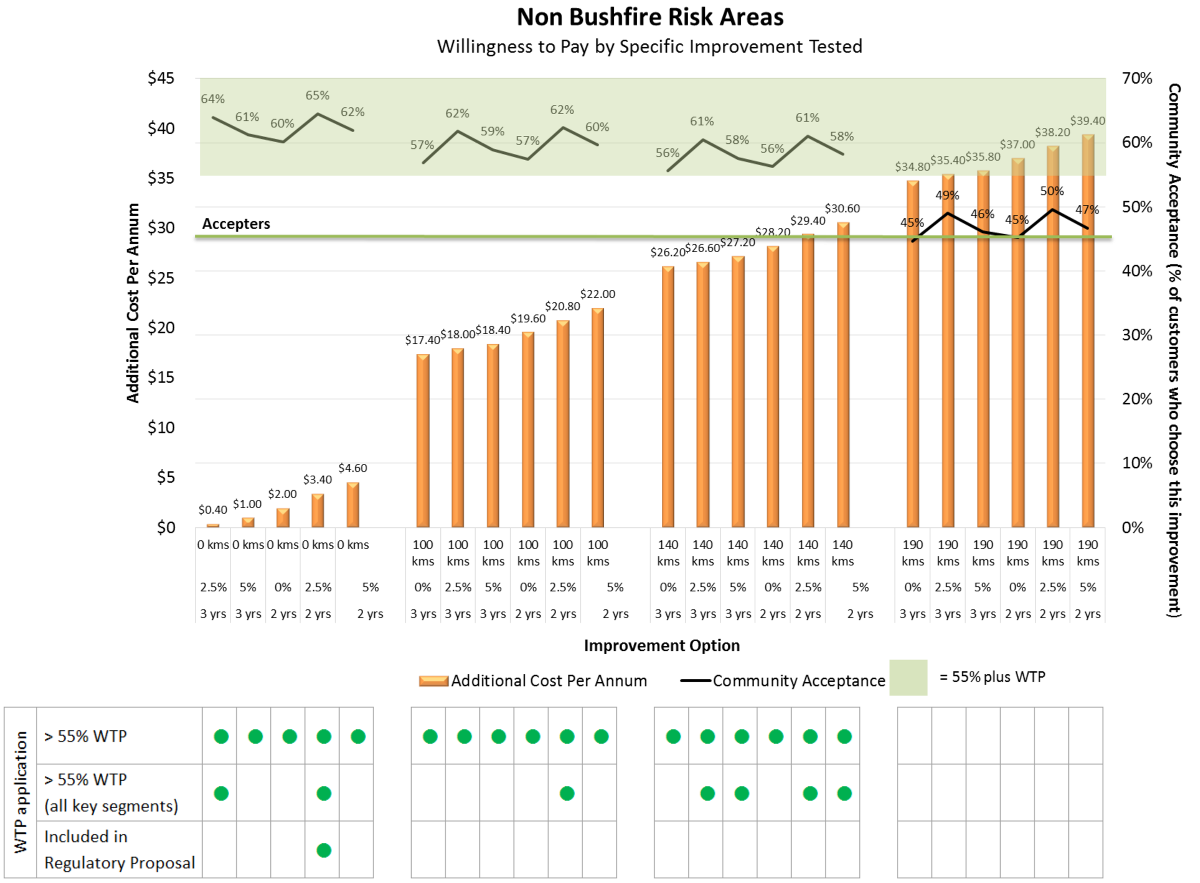
The most preferred improvement option in BFRAs encompasses a program of 135km of undergrounding combined with 2.5% removal and replacement of inappropriate vegetation for additional bush fire safety benefits. 63% of customers surveyed were willing to pay an additional $12 annually.

4.2.5.4.2 *WTP Non-Bushfire Risk Areas*

Figure 4.22 shows the level of community Willingness to Pay tested in Non Bushfire Risk Areas (**NBFRAs**). It presents the percent of the research sample (black line) who would choose the specific improvement initiative tested. The orange bars show the estimated incremental annual amount customers would be asked to pay for that improvement initiative.

The chart is organised into four groups, corresponding to four levels of undergrounding tested (0, 100, 140 and 190 kms). Within each of these groups there are four or five different vegetation management options. These options related to varying levels of removal and replacement of inappropriate vegetation beneath power lines in terms of the number of spans subject to inspection and clearance (0%, 2.5%, and 5%) and the length of the tree trimming cycle (2 or 3 years). The green ‘accepters’ line shows the percentage of respondents who accepted all improvement options presented to them relating to non-bushfire risk area.

Figure 4.22 Willingness to Pay by specific improvement tested – NBFRAs



Source: The NTF Group, SA Power Networks Targeted Willingness to Pay Research — Research Findings, July 2014.

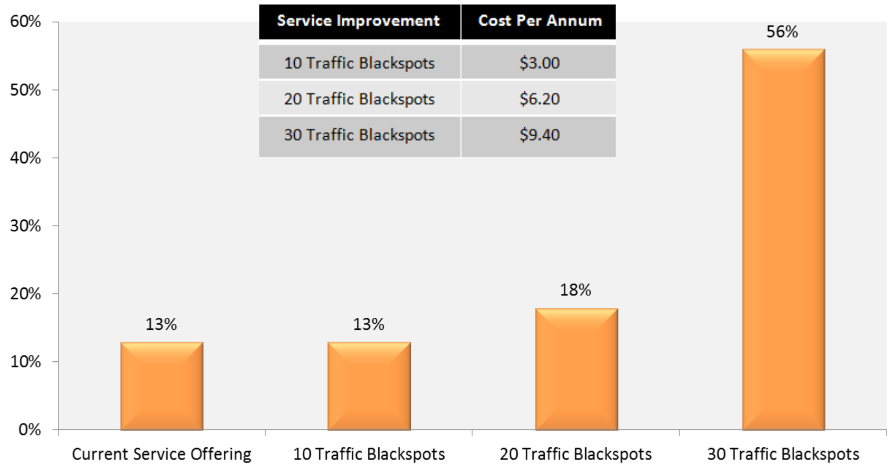
At least 55% of the community in the choice research were prepared to pay for seventeen of the twenty-three improvements tested in relation to NBFRAs, with willingness to pay up to $30.60 per annum for the most extensive of the improvements. Of those 17 improvements, seven had at least 55% WTP among each of the key segments.

The most preferred improvement option in NBFRAs encompasses a program for tree removal and replacement programs combined with an increase in tree trimming frequency (from three years to two years) to reduce the impact and severity of tree pruning, improve visual amenity and provide the potential for improved tree health. 65% of customers surveyed were willing to pay an additional $3.40 annually.

4.2.5.4.1 *WTP addressing traffic blackspots*

Figure 4.23 shows the level of community Willingness to Pay to address traffic blackspots. The majority (56%) of those surveyed were willing to pay up to an additional $9.40 annually for a targeted program of undergrounding power lines to address thirty traffic blackspots (comprised of approximately 15 intersections and 15km of road), thereby reducing the potential for vehicle collisions with Stobie poles. The 55% threshold was also achieved amongst all key community segments (ie mainstream, solar PV and hardship customers).There was 74% support for at least twenty blackspots. Twenty blackspots was viewed as an appropriate balanced investment level for this improvement option, considering the high level of community support.

Figure 4.23 Willingness to Pay by specific improvement tested – traffic blackspots



WTP application		Current Service Offering	10 Traffic Blackspots	20 Traffic Blackspots	30 Traffic Blackspots
	Cumulative % WTP	-	87% (13+18+56)	74% (18+56)	56%
	> 55% WTP		●	●	●
	> 55% WTP (all key segments)		●	●	
	Included in Regulatory Proposal			●	

Source: The NTF Group, SA Power Networks Targeted Willingness to Pay Research — Research Findings, July 2014.

Based on the findings of the WTP work, modest customer-supported programs that are derived from stakeholder and CEP insights were incorporated in our ‘Directions and Priorities 2015 to 2020’ consultation process.

WTP research results and the revised strategies were subsequently fed back to the March 2014 briefing discussed in section 4.2.6. The WTP research summary prepared by The NTF Group is available on our TalkingPower.com.au website and in Attachment 6.8.

4.2.6 Targeted strategic workshop follow up outcomes forum

At the Targeted Strategic Workshop (**TSW**) on 1 October 2013 we advised all participants that we would be in a position to provide an update on our progress in the areas of vegetation management and undergrounding in early 2014. A follow up outcomes forum for all participants was held on 19 March 2014.

4.2.6.1 Approach

We consolidated the briefing on vegetation management and undergrounding into one session as there was a degree of overlap between topics (undergrounding is one option for resolving ongoing vegetation management) and to provide the opportunity to all participants to review the strategies developed and the process of reviewing the outcomes of both projects.

Agenda topics included:

- a recap of the draft strategies developed by the separate workshops on 1 October 2013;
- SA Power Networks workgroups’ progress on the further development of the vegetation management and undergrounding strategies including costs and WTP research and customer preparedness to pay for service improvements included in the strategies;
- overview of WTP research and results;
- presentation of draft strategies for vegetation management and undergrounding in the 2015-20 Regulatory Proposal; and
- a question and answer segment.

During the briefing participants had the opportunity to comment, ask questions and provide further input on the vegetation management and undergrounding plans presented.

The group participation level was high and a number of questions came from participants. Particular interest came from those participants who took part in the alternate topic workshop. The briefing was attended by SA Power Networks subject matter experts to respond to enquiries and ensure a rapid response.

4.2.6.2 Summary of TSW outcomes forum

The feedback from the group was positive, many were pleased to see their contribution had been taken seriously and subsequent detailed work had been undertaken on cost impacts of the options that had been explored based on the principles they had developed in the earlier workshops.

4.2.7 Directions and Priorities consultation

The insights collected through our CEP, combined with other key inputs to our planning, such as the obligations from our regulated service standards, allowed us to develop our directions and priorities for the next five years (2015-20).

SA Power Networks published a Directions and Priorities 2015 to 2020 consultation document on 13 May 2014. The 48 page document was designed with the electricity customer in mind, used plain language and outlined the work proposed for the 2015-20 RCP.

Figure 4.24: Directions and Priorities 2015 to 2020 consultation paper, May 2014

Our Directions and Priorities document sought the views of customers, stakeholders and interested parties on work programs supporting key service areas:

- Keeping the power on for South Australians;
- Responding to severe weather events;
- Safety for the community;
- Growing the network in line with South Australia's needs;
- Ensuring power supply meets voltage and quality standards;
- Serving customers, now and in the future;
- Fitting in with our streets and communities; and
- Capabilities to meet our challenges.

To provide customers with insight into the relative investments associated with these work programs, Directions and Priorities indicates overall investment and bill impact, alongside the approximate split of total investments by service area.

The ‘Directions and Priorities 2015 to 2020’ consultation document indicated that, based on modelling available at the time of publication, that the investments discussed within the document would be achievable with an initial reduction in network charges of around 4% in 2015 and no more than a CPI increase in the four following years, on average.

Figure 4.25: Directions and Priorities briefings conducted 13 May to 21 May 2014

A copy of the ‘South Australian Distribution Network: Directions and Priorities 2015 to 2020’ document is available at TalkingPower.com.au

4.2.7.1 Approach

Our public consultation for Directions and Priorities 2015 to 2020 was initiated on 13 May 2014 with submissions closing on 6 June 2014.

The consultation process commenced with a public briefing event in the CBD with key stakeholders including government, regulatory, interest groups and consumers, and finishing with a question and answer session with our CEO, GM Corporate Strategy, GM Customer Relations and GM Network Management. Four regional briefings following the same format were held in Mt Gambier, Berri, Pt Augusta and Pt Lincoln.

Attendance included participants from Stage one and two workshops, online survey participants and our bilateral stakeholders.

During the consultation process the Directions and Priorities document was available on TalkingPower.com.au and submissions were sought from all customers and stakeholders.

Directions and Priorities 2015-20 was widely promoted and advertised by SA Power Networks to the South Australian community (Table 4.7). The promotional campaign encompassed:

- press relations: press, radio and television;
- major metropolitan and regional newspaper adverts;

- the SA Power Networks and Talking Power websites;
- Social media including Facebook, LinkedIn and Twitter;
- database marketing;
- distributed in hard copy to:
  - consumers at the public briefings;
  - at bilateral engagement meetings;
  - mailed on request via our TalkingPower website; and
  - to SA Power Networks staff; and
- distributed in soft copy via:
  - our TalkingPower website;
  - our TalkingPower eNewsletter;
  - Database marketing to CEP participants; and
  - to SA Power Networks staff.

Table 4.7: Directions and Priorities 2015-2020 summary of reach

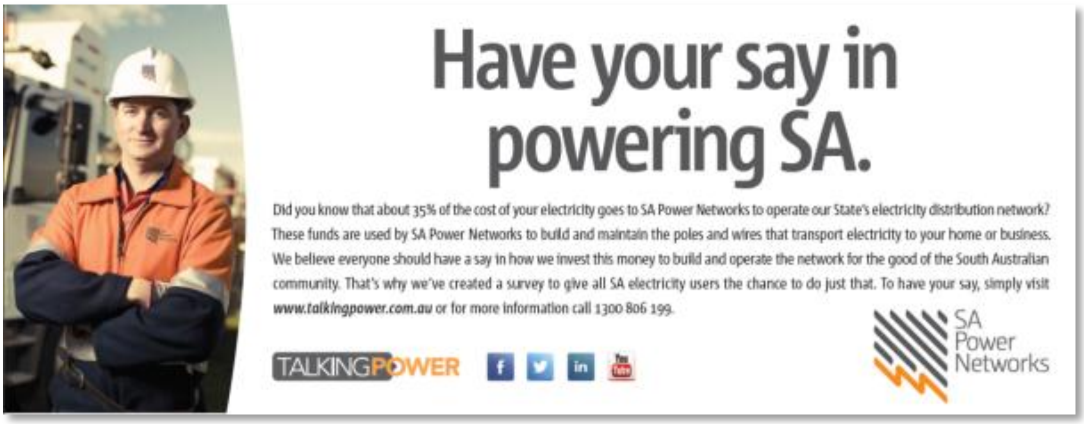
Communication medium	Audience	Reach
Press	240,450	1,751,022
Radio	20,263	1,093,000
Social Media	43,326	
TalkingPower website*	1,594 (unique visitors)	1,612
Database marketing*	1,501	
Soft copy downloads	378	
Hard copy distribution*	550	

*does not include SA Power Networks personnel.

Source: SA Power Networks, 2014

The interest in our Directions and Priorities consultation document extended to supporting documents including SA Power Networks Future Operating Model (294 downloads) and Customer Service Strategy (83 downloads).

Figure 4.26: Directions and Priorities media advertisement



4.2.7.2 Directions and Priorities briefing feedback

Directions and priorities stimulated robust discussion about the way forward for the distribution network and our services for South Australian customers.

During the briefings there were frequent periods of interaction amongst consumers and SA Power Networks' personnel. Many consumers took the opportunity during the question and answer sessions to raise individual items for clarification or interest and others sought out SA Power Networks' executives at the end of the briefings.

Where these matters were aired publically and related directly to the topics being discussed they were captured and utilised to draw insights, but some of these concerns clearly related to the participant's unique circumstances and were followed up with the individuals separately.

4.2.7.3 Directions and Priorities summary

Consultation papers are intended to allow participants to respond to proposals or ideas in some detail. Directions and Priorities submissions could be in the form of a letter, short document, email or a substantial paper, and could be submitted through the talkingpower.com.au website, **talkingpower@sapowernetworks.com.au** email address, and by fax, or letter.

The Directions and Priorities 2015-20 consultation was open for comment to all electricity consumers and the feedback we received from the submission process and associated bilateral engagement process ensured that SA Power Networks has strong and tested directions.

We received nine written submissions in response to the Directions and Priorities 2015-20 consultation from a small cross-section of the community. Submissions were received from residential electricity customers, businesses, Government, Council, and welfare and consumer groups.

Consistent with our commitment to transparency and subject to appropriate permissions, submissions were published unedited on our TalkingPower website.

As a key component of our engagement a formal review of the submissions was carefully conducted. All points from submissions were analysed for further review and action where appropriate. On balance there was a mix of support and constructive criticism of aspects of our Directions and Priorities for 2015-20. Several points replicated findings from earlier customer consultation and bilateral engagement. They included sensitivity to electricity prices for businesses and affordable living for South Australians.

There was positive support for efficient business practices, the introduction of smart meters, distributed energy generation, a move towards cost reflective tariffs, careful balance of vegetation management initiatives, and the Kangaroo Island undersea cable.

Specific feedback around undergrounding for traffic blackspots has led us to expand our commitment and engage further with industry partners such as the Motor Accident Commission (**MAC**) and the Department of Planning, Transport and Infrastructure (**DPTI**).

All feedback received from the submissions has been considered in developing our Regulatory Proposal and our considerations have been specifically documented at appropriate points in the Proposal.

4.2.8 Service-Price Trade-off

In communications with the AER's Consumer Challenge Panel, concerns were raised regarding a price-reliability trade off. Our reliability standards are set by the Essential Service Commission of South Australia and customers had clearly indicated in our CEP that they were satisfied with SA Power Networks reliability performance.

Notwithstanding this, we conducted further customer research titled 'Service-Price trade-off' to obtain further insights on supply reliability and price related issues and to explore price / supply reliability trade offs.

The customer research was independently carried out by The NTF Group. The methodology and approach utilised focus groups and an online survey. Two focus groups were held on 13 and 14 August in Adelaide and Port Augusta respectively, to explore the trade-off customers may make between price and reliability to provide insights prior to designing a quantitative survey.

An online survey was conducted with 763 participants aged 18 to 65 plus between 29 August and 8 September 2014, to obtain metrics to understand the price-supply reliability trade-offs and effects that supply satisfaction, customer experience and demographics might have on this trade-off.

It was found that:

- 80% of respondents would most likely pay about the same amount for the same standard of service;
- 11% of respondents would most likely pay more for a more reliable standard of service; and
- 9% of respondents would most likely pay less for a less reliable standard of service.

The results of this research are available at TalkingPower.com.au.

4.3 Regulatory Stage (stage three)

The third and final stage of our CEP focuses on the ‘Regulatory’ determination process and AER engagement.

Based on its practice in other jurisdictions, the AER is expected to release a paper titled “Issues paper -SA Power Networks electricity distribution regulatory proposal document 2015-2020” inviting interested parties to make submissions regarding our Regulatory Proposal to the AER. This issues paper will be released prior to the AER public forum titled “SA Power Networks’ revenue proposal for the regulatory control period 1 July 2015 to 30 June 2020” which is scheduled for Wednesday 10 December 2014.

Following an assessment of our Proposal and any submissions received from interested parties on the issues paper or our Proposal, the Australian Energy Regulator will make a first determination by 30 April 2015.

SA Power Networks and other interested parties will then have the opportunity to make further submissions on the first determination to the AER by 2 July 2015.

Subsequently, the AER will publish a substitute (final) determination by 31 October 2015 that will take effect from 1 July 2016. Any differences between the first determination and the substitute determination that affect our allowable revenues in the 2015/16 year will be addressed by way of a revenue ‘true-up’ at 1 July 2016.

Throughout the determination process the AER has advised it will consult with interested parties and take their views into account.

Further information on the AER’s approach to the SA Power Networks - Determination 2015-20 can be found at the AER website: http://www.aer.gov.au/node/20941

4.3.1 Regulatory phase supporting information

SA Power Networks is also providing consolidated details of relevant information from SA Power Networks’ Regulatory Proposal that the AER has advised would assist them in preparing their issues paper (supporting document 16.9).

4.4 Bilateral consultation

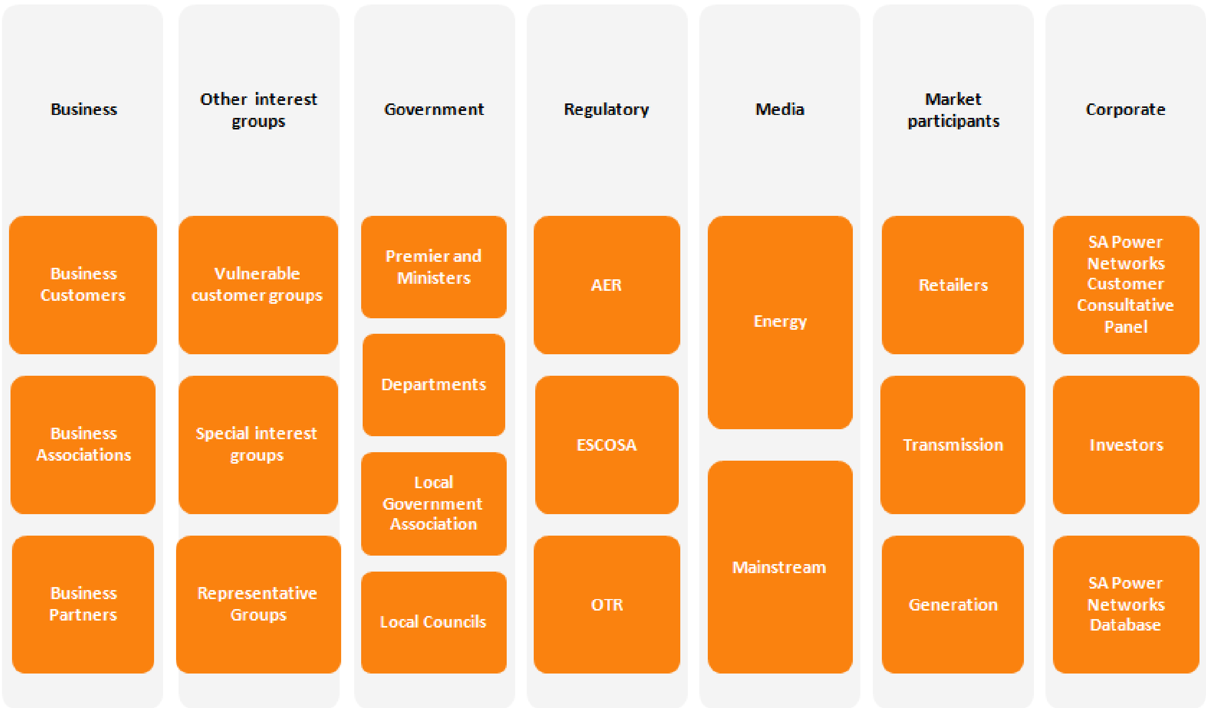
Just over one hundred key stakeholder representatives and stakeholder groups were identified in our bilateral engagement planning process (see Figure 4.23).

Excluding regulatory engagement commitments with the AER, ESCoSA and the OTR, during the stage one and two research and strategy phases we have engaged in more than sixty bilateral events including meetings, workshops, briefings, forums, presentations, teleconferences or conferences or via press releases where we provided updates on our engagement program, in terms of progress, key customer insights and our Directions and Priorities.

During stage one bilateral consultation with Kangaroo Island Council and the Kangaroo Island Futures Authority the need for an additional workshop on Kangaroo Island to explore the needs and issues of residents emerged, and a workshop was subsequently held on 24 October 2013.

Engagement at an industry level included a small number of presentations to energy industry participants on our innovative consumer engagement and consultation process.

Figure 4.24: SA Power Networks' bilateral engagement stakeholder mapping



Source: SA Power Networks 2013

4.4.1 SA Power Networks' Customer Consultative Panel engagement

In 2007, SA Power Networks established a Customer Consultative Panel (**SAPN CCP**) to facilitate structured discussion with customers on our performance, plans and opportunities for improvement.

The SAPN CCP members represent residential and business customers and community service organisations from across South Australia. The group includes representatives from Business SA, Uniting Communities, Multicultural Communities Council of SA and the Local Government Association of South Australia.

In addition, we have a rotating inclusion of members of staff from across the State representing different areas of our business to promote enthusiasm and fresh perspective into the process.

The group meets every quarter and they have been provided regular updates on our CEP, our engagement outcomes and insights as well as the opportunity to provide input into the engagement process.

4.4.2 Local Government engagement

To build on the outcomes and strategies identified in the TSW on vegetation management, we commenced a customised engagement program with local Councils and the Local Government Association (**LGA**) of South Australia on vegetation management.

The TSW framework and outcomes were used to design an inaugural local government forum. Held in early December 2013 the key aim of the forum was to bring Local Government together to discuss current issues associated with vegetation management and to explore opportunities for partnerships in programs or initiatives.

26 representatives from 16 local Councils attended this forum. The outcomes of the forum were closely aligned with the outcomes in the TSW, whereby local council representatives also identified the need to move away from a one size fits all approach to tree trimming and develop a long-term vegetation management strategy that recognises regional differences. It is proposed to run the forum as an annual event, providing opportunities for ongoing discussion on vegetation management options and strategies.

SA Power Networks has continued to liaise with Councils and work with the LGA including the development of a discussion paper on the directions for vegetation management titled 'SA Power Networks long-term plan for managing trees near power lines ".

It was presented to Local Government in April and a submission was received from the LGA in June 2014 on behalf of Local Government supporting the initiatives presented.

To progress strategic initiatives and develop a protocol for vegetation management near power lines our engagement includes the development of two customer reference groups – a Local Government Association/ Council Working Group and an Arborist Reference Group.

4.4.3 The Energy Consumers Council engagement

The Energy Consumers' Council (**ECC**) provides high level policy advice to the South Australian Government on energy policy issues, including pricing and the reliability of supplies and services in the South Australian energy sector.

The ECC includes representatives from the Energy Consumers' Coalition of South Australia, Business SA, Primary Producers SA, South Australian Chamber of Mines and Energy, The Property Council, COTA SA, Consumers Association of South Australia Inc, South Australian Council for Social Services and the LGA.

The council meets monthly and SA Power Networks has provided updates on our CEP, customer insights and Direction and Priorities 2015-20 in October 2013 and June 2014, respectively.

4.4.4 AER Consumer Challenge Panel engagement

The AER's Consumer Challenge Panel sub-panel established for SA Power Networks' regulatory determination (**CCP2**) is chartered to provide an independent consumer perspective to the AER to help ensure that decisions on network services and costs incorporate the long-term interests of consumers. Interactions with the CCP2 have been focused on:

- regulated network revenue, operating expenditure and capital expenditure requirements, pass throughs, peak demand and demand growth, annual usage, consumer numbers;

- customer tariffs and residential network prices increases;
- network age profile and replacement costs;
- consumer engagement research methodologies including our approach to assessing WTP, in particular around reliability;
- ESCoSA's reliability standards; and
- South Australian customers' capacity to understand our regulatory proposals to the AER along with our ability to engage with different customer segments.

5. Evaluation and review

SA Power Networks believes that our CEP has been wide-ranging and deep and that our consultation contributed to outcomes valued by both the community and SA Power Networks.

5.1 Customer Engagement Program pricing context

Underpinning the CEP, all consumer engagement discussions and customer surveys of directions, priorities and potential initiatives for the distribution network in the next period were held in the explicit context of an expected distribution price path that would be limited to no more than CPI.

As such, it is our view that all customer and stakeholder views and considerations as part of the CEP were fully understood to be measured against that overall indicative and easily understood pricing outcome.

Recognising the early start of the CEP, the importance of price to customers, and the progressive development and iteration of potential work programs, associated costs and subsequent financial modelling of scenarios, such an indicative pricing benchmark was critical if customers and stakeholders were to be able to come to a personal judgement of value and balance with regard to mooted directions and priorities.

5.2 Customer segmentation

We have engaged directly with over 13,000 customers and stakeholders through workshops, surveys, digital and website activities. A number of different customers and stakeholders have been involved throughout the process and have become more knowledgeable about electricity distribution, the network and SA Power Networks.

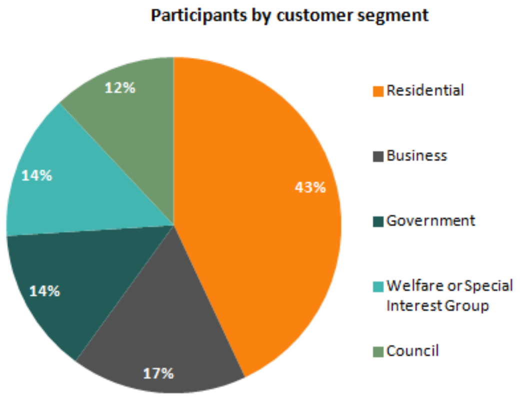
Outside of engagement with the usual regulatory and government agencies we have achieved a greater level of customer engagement with the following attributes:

- balanced customer reach in multiple engagement activities;
- balanced demographic segmentation:
    - location of respondents,
    - respondent age breakdown,
    - income and
    - household composition, and
- identified a deeper level of information for specific customer segments including unique needs for life support and hardship/concession customers, the 18-25 age group and emerging segments such as solar panel owners.

We consider that our CEP has been representative of the views of the South Australian population and the following charts (Figure 5.1 through to Figure 5.5) summarise representation and demonstrate broad public participation.

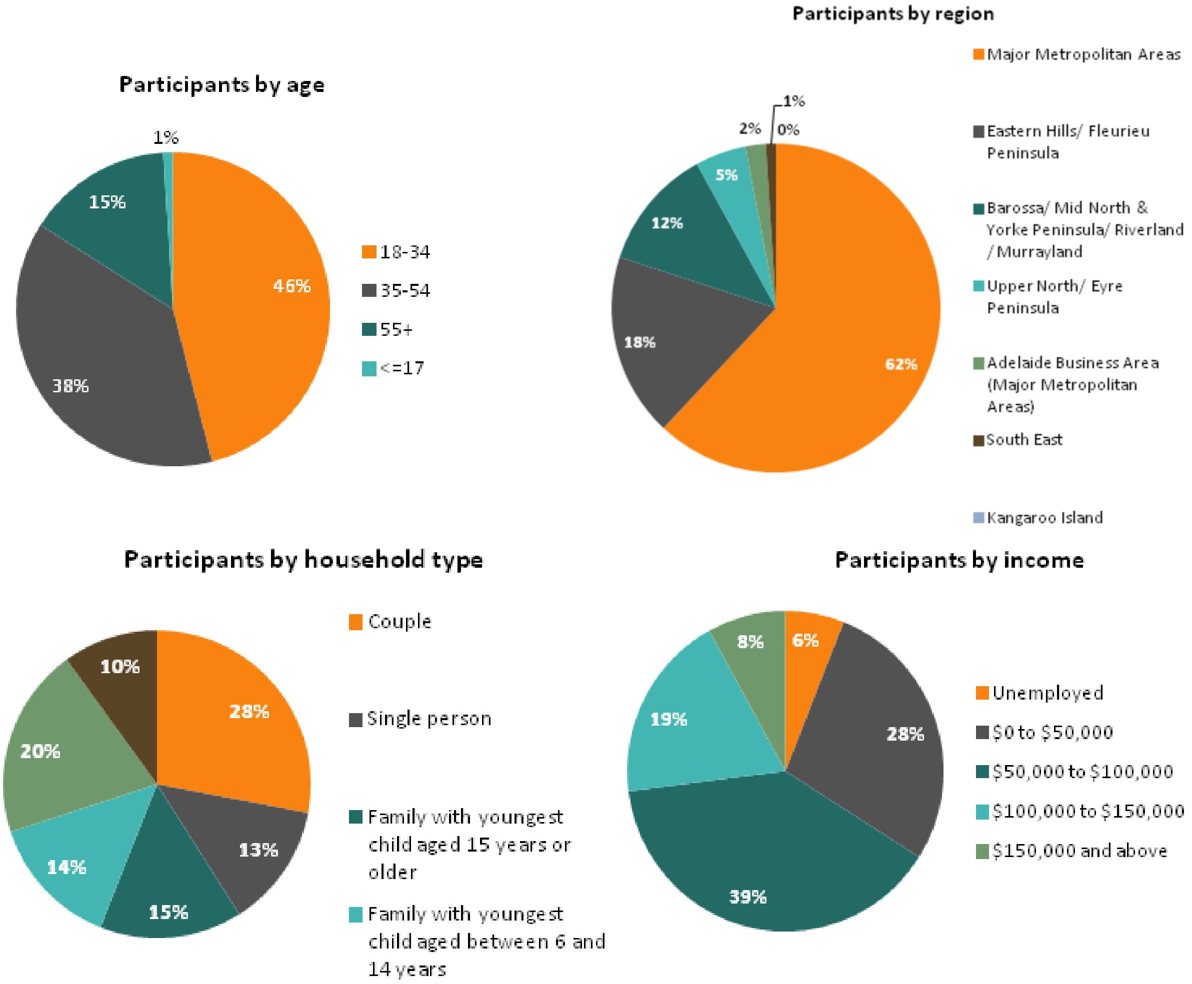
With 2883 participants (from over 840,000 customers) completing the stage one online survey, the participation level significantly surpassed expectations. Additionally mapping by location of survey participants was relatively well balanced with customer concentration in metropolitan, urban and regional areas (see Figure 5.2).

Figure 5.1: Stage one workshops participant representation (n=100)



Source: Deloitte, Stage one workshops, 2013

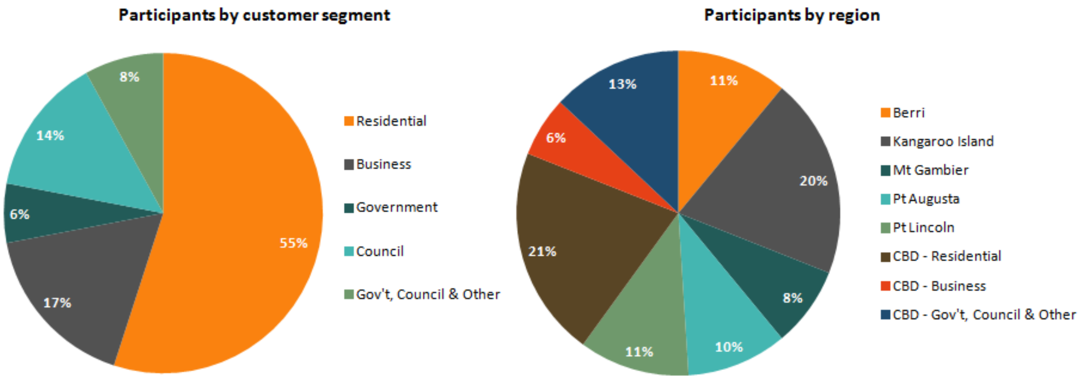
Figure 5.2: Stage one online survey participant representation (n=2883)



Note: ESCoSA figures for customer concentration at the time – MMA (71.5%), Eastern Hills/ Fleurieu Peninsula (7.7%), Barossa/Mid North & Yorke Peninsula/ Riverland/ Murrayland (12.5%), Upper North/ Eyre Peninsula (3.9%), Adelaide Business Area (0.6%), South East (3.3%), and Kangaroo Island (0.4%).

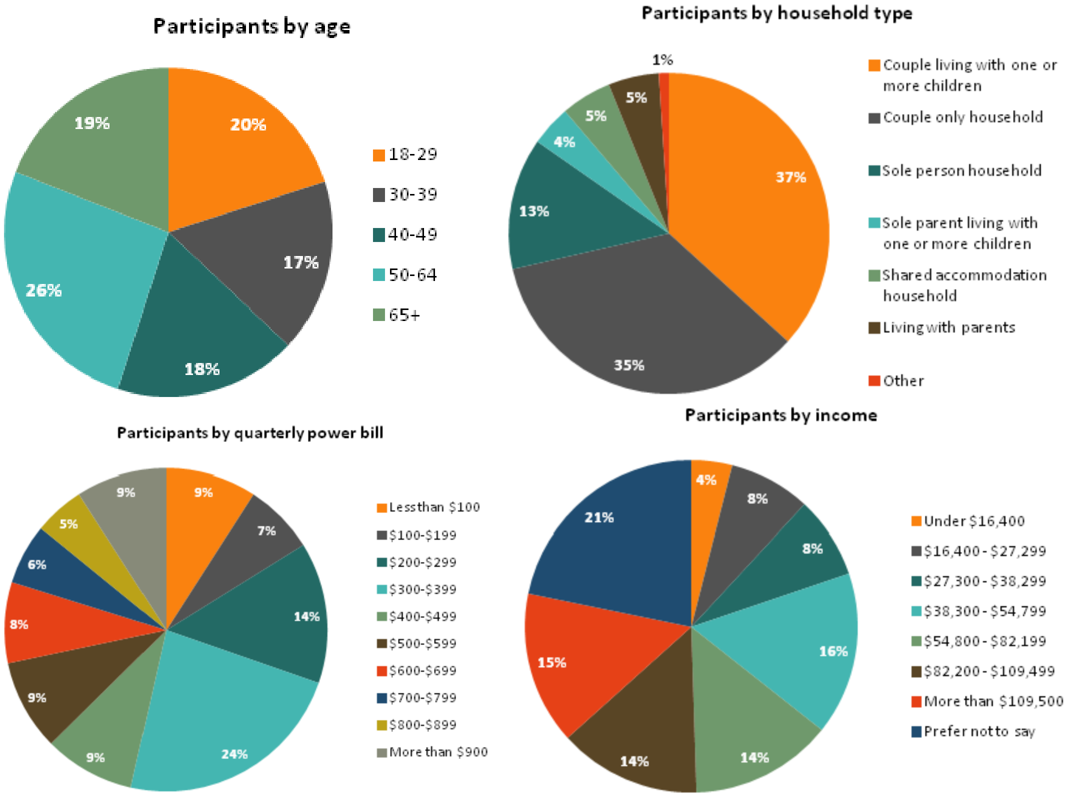
Source: Deloitte, Stage one online survey, 2013

Figure 5.3: Stage two workshops participant representation (n=67)



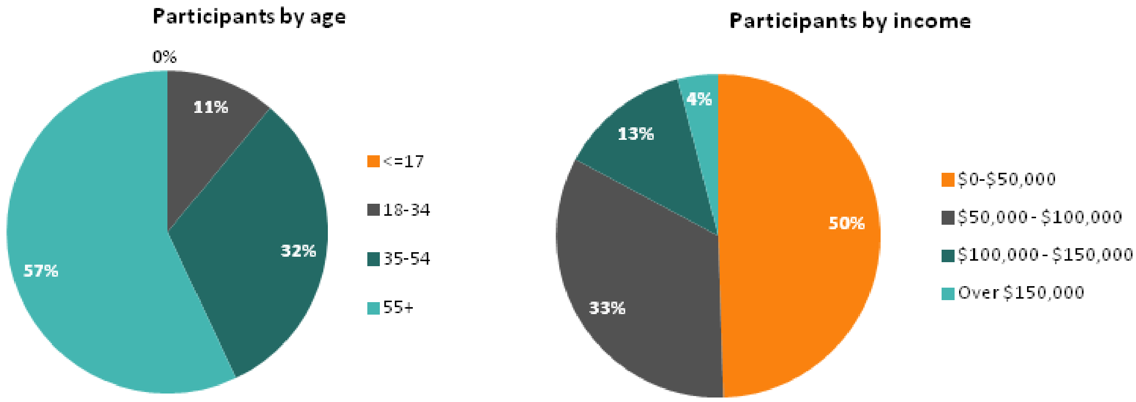
Source: Deloitte, Stage two workshops, 2013

Figure 5.4: Willingness to Pay survey participant representation (n=895)



Source: The NTF Group, Targeted Willingness to Pay research findings, 2014

Figure 5.5: Service-Price Trade-off survey participant representation (n=763)



Source: The NTF Group, Service-Price Trade-off survey research findings, 2014

5.3 Summary of customer feedback

There were multiple formal and informal opportunities for customers to provide feedback to SA Power Networks on the consumer engagement program, process and subject matter. They included feedback forms in the Stage 1 workshops, TSW, Stage 2 workshops, WTP survey, Directions and Priorities consultation and via the dedicated TalkingPower website and email.

5.3.1.1 TalkingPower website and email

We received regular enquiries via our **talkingpower@sapowernetworks.com.au** email address, of those not related to event (workshop, forum or briefing attendance) the majority were in regard to Reporting streetlight outages, the remainder were more specific and targeted to individual circumstances.

5.3.1.2 Stage 1 Workshops

What participants liked about the workshops and how they benefited:

- "Informative and very well presented. Good to see company CEO of a major corporate body willing to interact with general public and take advice" – Resident, Metro
- "Simple language , knowledgeable presentation, relevant topics, good opportunity to discuss, good information on particular issues" – Business/commercial, Metro
- "The excellent structure and the fact that SAPN's people both presented and also stayed to listen to the feedback" – Industry group, Metro
- "Flowing conversation. Learning about current and proposed initiatives. Being able to give input. Love idea of conversation plus written input" – Resident, Rural
- "Presentation was well set out. Everyone invited us in a good mind - set to share experiences - presenters were well prepared to deliver content and answer questions" – Business/commercial, Rural
- "Interactive, engaging and everyone was included" – Government/council, Rural
- "I learned much about power networks, paying bills and generally how the whole system works. In the beginning I would have been quite naive, but have learnt a lot from this workshop" – Resident, Rural
- "Greater understanding of the challenges in providing energy and equitably" – Industry group, Rural
- "I learnt a lot about electricity usage, concerns and how this impacts on my future decisions as a future bill payer" – Resident, Metro
- "Very well ran. Appreciated that before any questions were asked you supplied us with a great deal of information. I think this allowed me/ others to form better opinions. Concerns we raised were answered extremely well" – Resident, Rural
- "I was impressed with the structure, the facilitator's devised- just right balance of input (from key people and action/ input from stakeholders). On arrival I thought that SA Power Networks had opted out to Deloitte but as we got into it I was so wrong. Will look forward to seeing the "professional" report and seeing what I can use" – Industry group, Metro

5.3.1.3 Stage 2 Targeted Strategic Workshops

Upon completion of the workshop, participants were asked whether they would like to fill in a survey form or leave any comments. The following is a selection of verbatim feedback from the Vegetation management and Undergrounding workshops:

Vegetation Management

- "It is so refreshing to have a large department actually make the effort to consult with customers and take note of their views." – Resident, Regional
- "Learnt more about SAPN processes as they work towards October 2014. Saw problems and benefits from a wider view." – Resident, Regional

- "Open, honest, informative discussions. Good working with team from SAPN." – Subject matter expert (horticulture), Metro
- "Understand some of the restrictions and regulatory road blocks that have to be looked at after all it is some 30 years and we haven't come very far with the management of power lines fire safety." – Subject matter expert (horticulture), Metro
- "A better understanding of the matters SAPN needs to consider as part of their operations." Subject matter expert (emergency services), Metro
- "The workshop provides a very +ve means to drive better vegetation clearance mechanisms etc." – Anonymous
- "Sensible robust discussion, focussed discussions that had specific direction and purpose. Excellent facilitation." Resident, Regional
- "Clear, unambiguous program to assist with flow of discussions and commentary." Subject matter expert." (urban forestation), Metro
- "Certain concepts/assumptions were clarified. Personal privilege to be able to attend to gather information and to offer some contribution." Subject matter expert (urban forestation), Metro
- "How everyone worked so well together and all voices were heard and not judged. Felt equal." Resident, Regional
- "Just opened my eyes to a lot of unknown territory. Very interesting and informative." Resident, Regional
- "The positives were to be able listen to the various opinions from throughout those in attendance. Additionally to see how open and receptive SAPN is to effective change in tree pruning within SA." Local Government, Metro
- I "have a broader understanding of the issues at hand. Have a greater understanding of the various options." Local Government, Metro

Undergrounding

- "Great conversation, ideas, team work, loved learning what I did about SAPN + forward strategy planning. Thanks for having me involved." – Resident, Regional
- "Learnt a lot more. Nice feeling to know my ideas are of use and benefit and are wanted." – Resident, Regional
- "Opportunity to learn and influence policy making." – Anonymous
- "Greater understanding of the issues particularly the mix of competing demands." – Anonymous
- "Great workshop. Big time commitment though." – Anonymous
- "Ability to participate and hear various other stakeholders views on the matters presented." – Government
- "Greater understanding of issues from the range of stakeholders." – Government
- "Positive approach by all contributors, including team leaders, lisa and participants from regions." – Business, Regional
- "Group discussion most valuable with the open communication style this workshop was conducted." – Business, Regional
- "The engagement with co-participants was very refreshing." – Resident, Metro
- "Gives me good overview of the involvement of SA Power Network in the community enhancing its safety." – Resident, Metro
- "Friendly people, clear positive messages." – Resident, Regional
- "As this was my first workshop I have learnt a lot about the complexity of what I believe to be a simple decision." – Business, Regional
- "The presenters and staff were very knowledgeable and informative." – Resident, Metro
- "… vibrant interaction between different community strata and the common theme of ideas." – Resident, Regional

5.3.1.4 Stage 2 Workshops

Upon completion of the workshop, participants were asked whether they would like to fill in a survey form or leave any comments.

The following is a selection of verbatim captured:

- "Learnt a lot. Very interesting and presented in a [sic] easily understandable and visually pleasing manner." – Resident, Kangaroo Island
- "All opinions and ideas from the last workshop were used. All questions answered." – Resident, Regional
- "Information was provided in a simple language and there was ample opportunity to ask questions and get answers." – Welfare Group, Metro
- "Positive explanation of SA Power Networks position and responsibilities in relation to customers" – Council, Regional
- "Good to see actions being taken on community consultation" – Business, Regional
- "Gained information which I can relay on to residents, especially limiting of solar contribution and undergrounding" – Council, Metro

5.3.1.5 Stage 2 Willingness to pay survey

Upon completion of the choice tasks, respondents were asked whether they would like to leave a comment. The following is a selection of verbatim captured from residential customers:

- "I am biased towards reducing the risk of bush fire as I live in a high bushfire risk area - I don't see that extra money should be spent solely on the visual appearance. I would prefer that extra money be spent on underground wires rather than tree replacement."
- "All suggested improvements are commendable; however, in my experience, most (all?) of the proposed options were, in the past, covered by/included in the price of electricity."
- "I'd like to see a concerted effort to put power lines underground overtime to eliminate the risk of serious collision from motorists and remove what is an eye-sore on the streetscape. Starting in bush-fire areas and main intersections makes sense to me."
- "I would prefer to have more undergrounding happen in high risk areas. It would be preferable when replacing overhead lines if they could be undergrounded at that time. In our area we have been having replacements (with weekly days of power outage) seems to be double handling. We also have lines which are too close to the road edges now and it seems ridiculous to replace poles into the same dangerous sites."
- "Many of the decisions requested were targeted at tree pruning and/or replacement in NBFRA situations. While I empathise with those living in streets where 3 year clearance operations can leave the trees looking abnormal, visual impairment of a street may be temporarily upsetting - but it is not life threatening. I see this as a very low priority for valuable and finite SA Power Networks Funds. I see this as an area where councils, who were presumably responsible for the tree plantings in the first place, should be prepared to spend more on tree replacement using more appropriate specimens. In the end those living in these NBFRAS should pay through their rates for their amenities. 2. In addition traffic black spots were targeted - also in NBFRAS. No responsible citizen would want the road toll to continue to increase by vehicle collisions with Stoby Poles. There may be a case for undergrounding power at a black spot where the incidence of fatalities is abnormally high. However, although these accidents are unfortunate and often have tragic consequences, I believe that the potential for the number of injuries and fatalities is low compared with a catastrophic bush fire event in a populated area. In addition bush fires could account for significantly higher asset loss than traffic accidents at black spots. While these considerations depend on the frequency of accidents at black spots and the number and severity of bush fires over a period of time, my feeling is that the high losses associated with a possible catastrophic event present a stronger case for allocation of limited SA Power Network budget funds. With an eye to the generally accepted warming of the climate, we can expect such events to increase in frequency and severity making the risk of losses higher in the foreseeable future. 3. Undergrounding and tree replacement in HBFRS and BFRAS I see these works as the highest priority for the limited budget funds available to the SA Power Network. Indeed there is a strong

argument for supplementing these limited funds - either by re-allocation of other SA Power Network funds, or by additional allocation of funds for this purpose by the State Government. I understand that we are constrained by the availability of funds and the number of worthy projects which need to be progressed. However where the potential exists for both high loss of life in particular, and property also, the limited funds should be prioritised accordingly."

- "I find it very difficult to work out who to contact for various aspects of power supply as the provider does not look after the meter etc. The rising cost of power is a big concern - along with the inconsistencies in power usage over the last 2-3 years (i.e. our daily consumption has no obvious pattern or logic)."
- "If bushfire prevention is the main priority, as I think it should be above aesthetics, then I believe undergrounding in critical areas comes before anything else. I would put trimming and pruning above blackspots except perhaps for major service/shopping/community areas."
- "I am disappointed in the number of power failures we have experienced in our area over the past 12 months. I am more than happy to pay a little bit extra to ensure the service is improved but can't see any reason why electricity costs keep on rising when we still have bad service (currently)."
- "The amount of money being charged compared to previous means that these extra measures should be already included, not considered at an extra charge. Less profits in the multilayered system and should be not for profit!!!"
- "I would very much like to have chosen every right side choice but on a pensioner income only this would add up to quite an amount. Maybe people who choose to live in high risk domestic areas should be paying extra."
- "There should not be any extra charges for improvements we pay enough now."
- "Considering rising prices I am not supportive of increasing costs based on improving aesthetics. It is also unreasonable to increase cost for people who will not benefit from undergrounding or tree replacement (having paid additional costs when buying into these areas initially through infrastructure costs). Paying to reduce risks for people who choose to live in bushfire risk areas is also frustrating."
- "Please do something about the power on Kangaroo Island. We are constantly losing power and some places for up to 3 days. We get no money back and the loss of time to business is crazy."
- "I think it is imperative for the government to allocate more spending on infrastructure & I find it remarkable that in this day & age we still have so much above ground. As a customer & a pensioner, I would be prepared to sacrifice a few cups of coffee each quarter to contribute to the improvement of our safety & efficiency."
- "Most of these initiatives can only improve overall living conditions, less collisions, environmentally & health/wellbeing conscious, less bushfire threats, and more attractive surroundings. The problem is that customers in the main are struggling to pay constantly rising power bills, let alone pay the additional cost for (much needed or desired) improvements to the system. While we might agree with all proposals we simply can't afford to fund them."

5.4 Post Implementation Review

The objective of conducting post implementation reviews (**PIRs**) at SA Power Networks is to collect and utilise knowledge learned throughout a project in order to improve the delivery and outputs of future projects. The following points summarise some of the successes, issues, unexpected lessons and limitations regarding our Customer Engagement Program.

5.4.1 Strategy, resources and planning

- The AER announced of its Better Regulation Program in December 2012. By that stage (late 2012), we had already concluded that our CEP needed to incorporate significant enhancements in order to be fit-for-purpose for our 2015-20 RCP planning process, and were planning accordingly. However, the announcement of the Better Regulation Program, and the mooted Consumer Engagement Guideline, caused a dilemma. Delaying the start of our CEP would have reduced our risk of misalignment with the eventual AER guideline, but we considered that is was of over-riding importance that we commence our engagement early enough to enable both the time for effective engagement as well as enough time to consider customer feedback and properly factor it into our planning for the 2015-20 period.
- Consequently, we did not delay finalisation of our CEP design, and it was completed well before the AER Guideline was in draft form. To ensure we remained broadly in line with the AER guideline requirements (as they evolved), our CEP needed to be flexible enough to accommodate any directional changes that emerged from the Better Regulation Program.
- Implementation of future customer engagement programs will be guided partly by the AER's Consumer Engagement Guideline. The circumstances of distribution network service providers and their customers vary widely across Australia and any consumer engagement program needs to be carefully tailored to each market. To do this properly sufficient resources and budget must be available.

5.4.2 Engagement program design and implementation

- Previous proprietary research on our Customer Management Model, and other initiatives like the SA Power Networks Future Operating Model, provided deep insight into the topics with which to engage with customers.
- There was a certain level of risk and uncertainty associated with commencing an engagement program prior to the AER guideline being finalised and well before the establishment of the AER Consumer Challenge Panel tasked with providing an engagement assessment post implementation. Although delaying the start of our CEP would have reduced our risk of misalignment with the mooted AER guideline we concluded that is was of over-riding importance that we commence our engagement early enough to enable effective engagement.

5.4.3 Timing

- The time and effort required to develop an integrated engagement program and engage customers in complex technical matters is extensive.
- The compressed timeframe for delivery of our CEP and the development of the AER guideline meant that implementation of our CEP needed to be managed in a manner that balanced the demands of tight or overlapping engagement timeframes, with technical, financial and regulatory project processes such as benchmarking, modelling and expenditure build up.
- An ideal situation would be to engage with customers at key points where multiple business planning efforts had reached particular milestones, to enable holistic customer feedback to be sequentially incorporated into subsequent stages of business planning. In practice, developing long-term network plans is so inter-related and complex that the engagement and business planning processes must progress in parallel, with best endeavours being made to optimise engagement timing. The experience of this CEP will allow for improved timing of CEP activities in future.

5.4.4 Organisational commitment

- The TalkingPower consultation program has provided us with a greater understanding of South Australian electricity customers now and in the future.
- It has also presented an opportunity to embed an even stronger customer engagement focus and framework within SA Power Networks. The commitment and confidence in ongoing engagement is evident across a number of SA Power Networks programs moving forward including:

    - Customer Service Strategy;
    - Future Operating Model; and
    - vegetation management.

5.4.5 TalkingPower key performance benchmarks

The AER's Consumer Engagement Guideline provides a high level framework based on best practice principles drawn from the Stakeholder Engagement Standard (**AA1000SES**) and the International Association of Public Participation (**IAP2**) framework. Drawing on AA1000SES and IAP2, the Guideline outlines four best practice principles that should guide all aspects of DNSPs' customer engagement.

The principles call for all components of engagement to be:

- clear, accurate, relevant and timely;
- accessible and inclusive;
- transparent; and
- measurable.

5.4.5.1 Stakeholder Engagement Standard (AA1000SES)

As detailed earlier when designing and developing our CEP we leveraged substantial experience, capability and aspiration with regard to customer and stakeholder engagement by conducting a comprehensive review of the environment. This process was guided by the *AA1000 Stakeholder Engagement Standard (2011) (AA1000SES)* (Table 5.2).

Table 5.2: SA Power Networks' stakeholder engagement planning process (adapted from AA1000SES)

Plan	Prepare	Implement	Improve
• Assess internal capability • Review engagement standards • Explore external expertise • Review international experience • Ascertain: ○ current situation ○ emerging trends ○ strategic issues • Define CEP purpose, scope and stakeholders	• Leverage results from CMM • Develop CEP implementation strategy • Engage external practitioners	• Continue ○ Brand Health Monitor ○ Customer Satisfaction Tracking Survey • Implement CEP • Integrate outcomes into business	• Gather feedback • Review feedback mechanisms: ○ surveys ○ workshops ○ metrics ○ KPIs • Integrate into engagement practice

Source: SA Power Networks 2012

5.4.5.2 IAP2 Public Participation Spectrum

The IAP2 Public Participation Spectrum, shown in Table 5.3, "is designed to assist with the selection of the level of participation that defines the public's role in any community engagement program" [13]. The spectrum sets out the promise being made to the public at each participation level. It also highlights the legitimacy of differing levels of participation depending on the goals, implementation time frames, available resources and level of community concern regarding the decision/or decisions at hand.

Table 5.3: IAP2 public participation spectrum (left to right describes the increasing level of public impact)

	Inform	Consult	Involve	Collaborate	Empower
Public participation goal	To provide the public with balanced and objective information to assist them in understanding the problems, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision-making in the hands of the public.
Promise to the public	We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for direct advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.
Example tools	Fact sheets Web Sites Open houses	Public comment Focus groups Surveys Public meetings	Workshops Deliberate polling	Citizen Advisory Committees Consensus building Participatory decision making	Citizen juries Ballots Delegated decisions

Source: IAP2 Public Participation Spectrum

A wide range of engagement techniques were selected to capture and gather customer feedback in the SA Power Networks CEP. The TalkingPower CEP consistently demonstrated delivery at the 'Inform', 'Consult', 'Involve' and 'Collaborate' participation levels of the IAP2 public participation spectrum (Table 5.4).

Our deeper exploration of customer issues using 'design thinking' provided the opportunity to experience and test how collaborative methods of engagement could be utilised to develop customer designed alternatives.

[13] www.iap2.org.au, 2014.

Table 5.4: TalkingPower application of the IAP2 public participation spectrum

	Inform	Consult	Involve	Collaborate	Empower
TalkingPower engagement tools implemented	Media releases Media campaigns Corporate website TalkingPower website TalkingPower enewsletter DVD 'About SA Power Networks' DVD 'Vegetation management' Directions and Priorities consultation document Fact sheets Future Operating Model Customer Service Strategy Distribution Annual Planning Report	Stage one focus groups Stage two focus groups Stage one in-depth interviews Stage one online customer survey Stage two customer willingness to pay survey Stage one questionnaires and worksheets Facebook polls Bilateral meetings Customer personas Stage two Directions and Priorities briefing, consultation and submissions LGA discussion paper	North Adelaide DSP trial Stage one workshops (metro and regional) Stage two workshops (metro and regional) Stage two targeted strategic workshop outcomes forum	SA Power Networks Customer Consultative Panel Stage two targeted strategic conversations workshop: Prioritisation Mind maps LGA annual forums LGA/ Council working group Arborist reference group	

Source: SA Power Networks 2014

5.4.5.3 AER Consumer Engagement Guideline best practice principles

TalkingPower was designed based on analogous principles to those underpinning the guideline and SA Power Networks has consistently worked to apply them during the implementation stages of our CEP.

5.4.5.3.1 *Clear, accurate, relevant and timely*

For each and every interaction and activity we have endeavoured to create communication and education materials that are transparent, accurate, communicated clearly and in a timely fashion. This includes:

- using language that is appropriate for the target audience;
- providing plain English summaries of key issues and impacts of decisions;
- using a range of methods and mediums to engage with customers and being flexible with communication preferences;
- providing multiple opportunities and mediums for customers to ask questions, seek clarification of information and to contribute their own experiences and information;
- enabling access to relevant information;
- seeking customer views as early in the process as possible;
- providing clear and realistic timeframes for customer input; and
- maintaining quality engagement through the life of the project.

5.4.5.3.2 *Accessible and inclusive*

It can be somewhat difficult to engage with an entire population and all stakeholders in a practical and economical manner. However our CEP has been broad and the feedback from customers demonstrates that our CEP has touched a variety of customer segments, including deeper profiles of emerging segments such as solar and engaging with hardship customers with surveys and interviews on multiple occasions. We are confident that the process undertaken has provided robust insights representative of the population of South Australia.

Examples of accessibility and inclusiveness include:

- identified relevant stakeholders and the most effective way to engage with them;
- identified and understood the diverse expectations and concerns of relevant stakeholders through independent facilitation and bilateral engagement;
- provided adequate time and resources for stakeholders to effectively engage;
- assisted stakeholders to engage with us and increase their knowledge and ability by providing easy to understand education material and access to senior management experts; and
- taking steps to provide all relevant stakeholders opportunities to be heard. This included implementing additional workshops, forums and establishing reference groups.

5.4.5.3.3 *Transparent*

Our engagement process and the role of customers in our CEP has been clearly explained on our TalkingPower website and in engagement activities. All material including presentations, documents, education material and reports from our CEP remain accessible on our TalkingPower website.

We have been open in our engagement with key stakeholders and developed a much stronger partnership with local government regarding vegetation management.

We have also fed our own learnings into the consultation processes of others, to help improve the readiness of our regulatory and institutional frameworks for the future – for example in ESCoSA's SSF consultations, the AEMC's Power of Choice consultations, the AER's Better Regulation consultations, and the CSIRO's Future Grid Forum consultations.

Examples include:

- clear communication of the purpose of our engagement program and objectives and the impact of customer input in formulating our Proposal;
- clearly communicated the SA Power Networks' and AERs decision-making processes at appropriate times in the CEP;
- updated stakeholders as required or requested on the progress of our CEP and on any individual or specific issues or questions in person, via report, eNewsletter, telephone or email;
- reported openly the feedback from customers and stakeholders;
- where applicable provided updates and information on decision-making, engagement process or our objectives; and
- reported publicly on the outcomes of our engagement activities on our TalkingPower and SA Power Networks websites.

5.4.5.3.4 *Measureable*

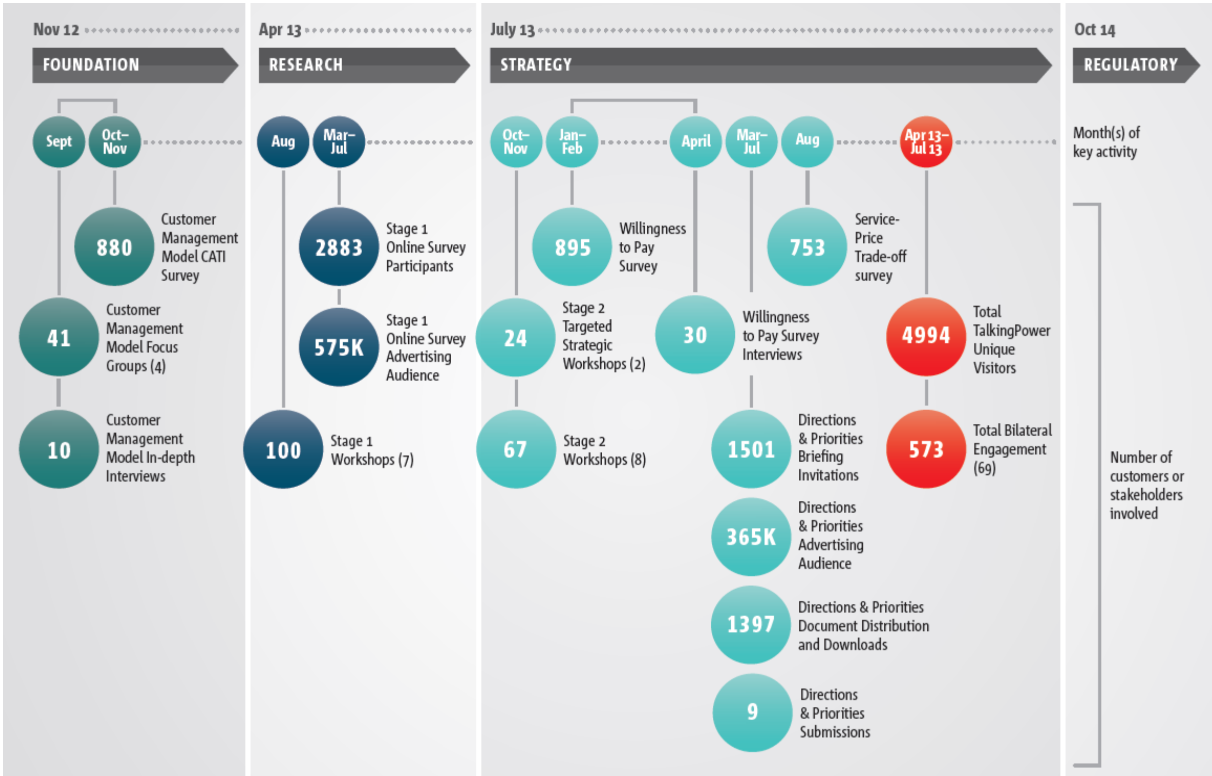
Conducting PIRs is part of SA Power Networks' governance process and evaluating our CEP is critical to improving our knowledge in order to optimise the delivery and outputs of future projects.

Assessing market or social research methodologies is guided by empirical study. Whilst anecdotal information is useful to provide insight and direction for research, formal quantitative methods provide better evidence for analysis and review. Therefore a structured program of activities to listen to our customers using appropriate methodologies was implemented for our CEP. These activities and methodologies enabled:

- rigorous testing of insights from stage one to two;
- consideration of a wider population;
- consistency in our understanding of our customers;
- consideration of alternative research approaches such as discrete choice modelling; and
- assembly and review of quality data sets to provide a strong baseline for future comparison.

Pleasingly the number of customers (Figure 5.6) who have been involved in our key activities is high and provides a benchmark for future engagement activities and the next regulatory determination process.

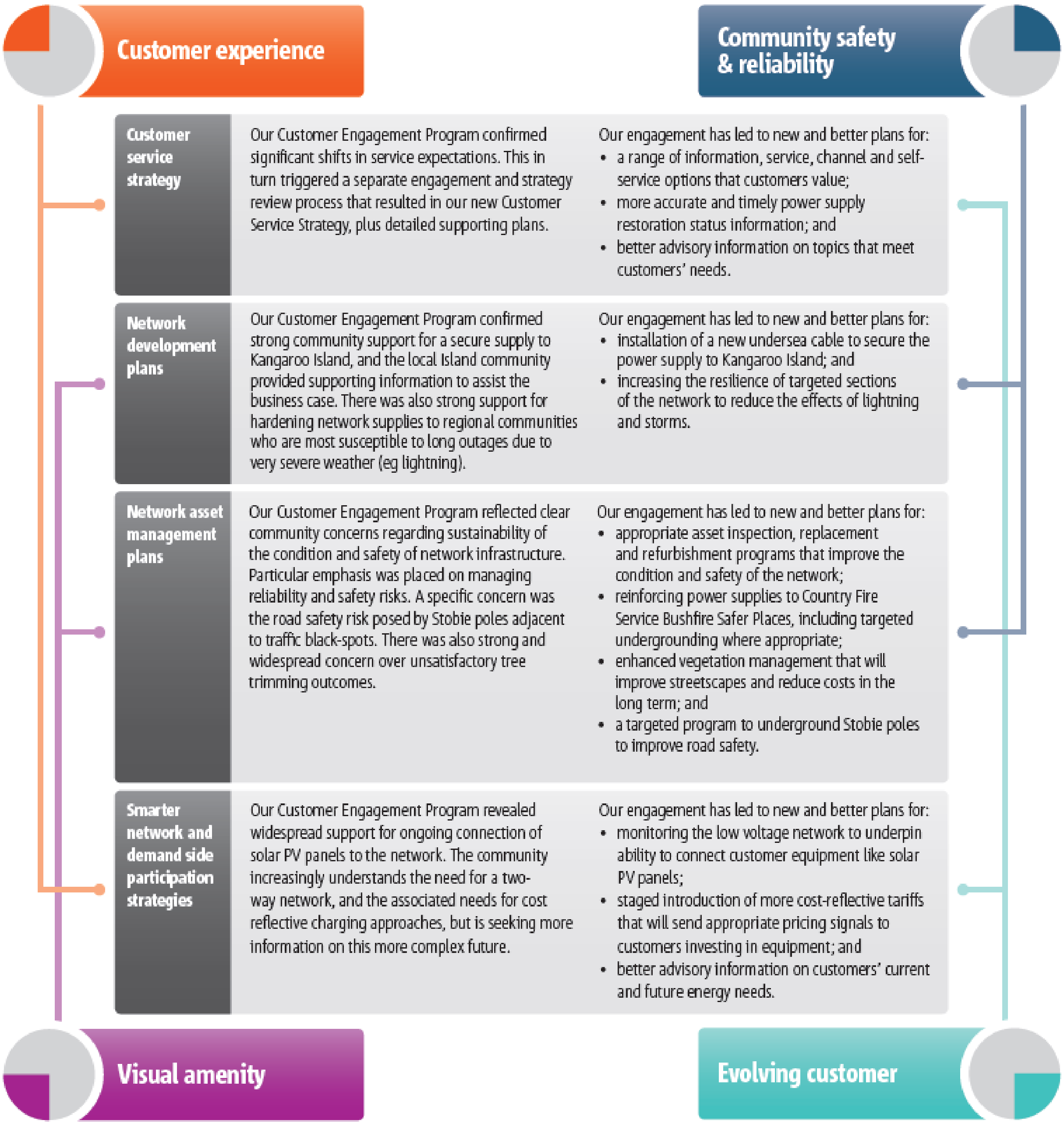
Figure 5.6: SA Power Networks TalkingPower – number of customers involved in key activities



Source: SA Power Networks, 2014

The integration of customer expectations and concerns into our planning was an important part of developing our Proposal and was critical to the success of our CEP. Figure 5.7 illustrates how the engagement outcomes have been factored into our Regulatory Proposal and long-term business plans.

Figure 5.7: SA Power Networks integration of customer insights into business planning



Source: SA Power Networks, 2014

5.5 Conclusion

Our CEP can be demonstrated to have promoted effective engagement with a wide range of stakeholders and to have facilitated consideration of customer feedback in development of our business plans and expenditure forecasts for the 2015-20 Regulatory Proposal.

In the process SA Power Networks has:

- considered the criteria in the AA1000SES, IAP2 and AER Consumer Engagement Guideline when selecting engagement methods, applying processes and assessing our activities;
- delivered a comprehensive Customer Engagement Program;
- used a range of methods to evaluate the effectiveness of each engagement activity, including:
  - capturing quantitative data – number of participants, submissions, meetings, forums, surveys and workshops;
  - capturing quantitative data – effectiveness of media and advertising through audience and reach; and
  - proactively seeking feedback from customers and participants – written and verbal through feedback forms, formal letters, and open-ended questions at workshops, forums, and surveys, via website and email;
- generated deep customer insights from our engagement with South Australian customers;
- formally reviewed and integrated these insights into our business planning;
- met all requirements of the AER Consumer Engagement Guideline (Table 5.5); and
- raised the standard of customer engagement in our sector and learned for future engagement.

Table 5.5: TalkingPower CEP alignment with key performance benchmarks

Performance benchmark	Alignment
Stakeholder Engagement Standard, 2011	●
International Association of Public Participation	●
AER Consumer Engagement Guideline	
Best practice principles:	
• clear, accurate, relevant and timely	●
• accessible and inclusive;	●
• transparent; and	●
• measurable.	●
Application of the principles is assessed against all stages of CEP activities - from initiation, to management of engagement priorities, to delivery, to results acquisition, and finally to evaluation and review.	

Source: SA Power Networks, 2014

SA Power Networks is confident that our comprehensive program meets all requirements for effective customer engagement as outlined in the AER's Consumer Engagement Guideline.

All outputs and source material from our program are available on our TalkingPower.com.au website.