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# Community Advisory Board Independent Report

Review of SAPN's Community Engagement Program  
for the 2025-30 Regulatory Proposal

Spencer & Co  
Business advisory services

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3 November 2023

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# Independent Report

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SA Power Networks (SAPN) is the electricity distributor for the state of South Australia. SAPN will submit its 5-year regulatory proposal to the AER for the 2025-30 period in January 2024 for the AER's consideration and statutory public consultation processes over the following 12 months, with the AER's Final Determination to be published in April 2025. As part of this process, SAPN has engaged with customers to ensure its proposal reflects customers' preferences. It has also appointed the Community Advisory Board (CAB) and its Reset Subcommittee to work with SAPN and provide advice on the design and implementation of its engagement process.

This report encapsulates the CAB's experience and views of the quality and depth of SAPN's engagement process, and whether, in the view of the CAB, it has met the requirements set out in the AER's guidelines for engagement in the Better Resets Handbook. It also provides a view of whether SAPN's proposal accurately reflects the balance of preferences and priorities of its customers. The report outlines some parts of the process that in hindsight, could be improved in future processes. It should be noted that there is a diversity of views on the CAB and while the report tries to represent the majority view, some members of the CAB and Reset Subcommittee had strong views and these have also been presented as a minority opinion.

This report is the Independent Report required by the AER for the Early Signal Pathway which AER describes as a more targeted assessment of distributor's reset proposals. It has been written by Catherine O'Neill, principal consultant at *Spencer&Co*, on behalf of the CAB. Catherine is an experienced energy professional with 20 years experience working for regulated businesses, regulators, as a consultant and advocate. She is independent of SAPN and the CAB.

The report is funded by Energy Consumers Australia Limited ([www.energyconsumersaustralia.com.au](http://www.energyconsumersaustralia.com.au)) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and gas. The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.

This report is the first of its kind funded by Energy Consumers Australia (ECA). The CAB is grateful for the ECA's support and seeks to use this report to raise issues that may lie outside the scope of Better Resets Handbook. The CAB encourages similar consumer advisory bodies to use Independent reports such as this, to gradually build a greater consumer influence over the reset process.

# Executive summary

## Overview

This report offers the view of SA Power Networks' Community Advisory Board (CAB) on the development of SAPN's regulatory reset proposal, in particular:

- SAPN's community engagement program;
- the impact of SAPN's community engagement on SAPN's proposal;
- the impact of the proposal on consumers and their interests;
- other issues of importance raised by consumers during the development of the proposal that lie outside the reset process itself.

The report is written with a view to building on the high quality engagement process that SAPN has conducted and highlight areas, which in hindsight, could lead to improved engagement in future.

## KEY FINDINGS

### Community engagement program

The CAB commends SAPN on the sincere, comprehensive, transparent and responsive community engagement program it undertook to develop its 2025-30 regulatory reset proposal. The

program was of a very high standard and the CAB scored the process very highly against the AER's engagement criteria.

All participants noted the integrity of the SAPN staff involved and most were very complementary about the process.

The CAB and its Reset Subcommittee is pleased to have worked in partnership with SAPN on elements of the community engagement program:

- providing input into some elements of the design, including diverse participation and People's Panel questions
- attending components of the program as observers, expert advisers or participants.

The CAB acknowledges that the four key themes identified in 2021 continued to be the issues of interest to consumers throughout the engagement, but expresses its concern that the issue of affordability – while of growing concern due to cost-of-living pressure during this period – appeared to become less central as the engagement continued.

### Diversity and inclusion

The CAB commends SAPN for seeking to broaden the diversity and opportunities for involvement in the

customer engagement program and acknowledges the challenges in facilitating voices not often heard from.

The CAB remains concerned about the limited involvement of First Nations people and the business community, despite efforts by SAPN for greater inclusion.

### Agenda setting

CAB acknowledges that SAPN sought input from customers on topics of interest and their priorities at the start of the process. However, some members of the CAB are concerned that the overall approach of the engagement was to focus discussions on expenditure and funnelled the engagement into consideration of (new) initiatives. A focus on affordability, productivity or efficiency may have created a different outcome, possibly with lower costs to consumers.

The CAB remains concerned about the three scenarios identified by SAPN for discussion: Basic, Compliant and New Value. SAPN considered the Basic option as a counterfactual, but the CAB questioned why a scenario that did not meet compliance was put forward as a choice. It had the effect of encouraging customers to choose either of two options: the Compliant or New Value scenarios.

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# Executive summary

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## Structure of the program

The Broad and Diverse workshops, Focused Conversations and People's Panel approach demonstrate SAPN's commitment to a sophisticated, far-reaching and focused engagement program that was well received by almost all participants.

## Focused Conversations

The Focused Conversations are considered the most effective element of the engagement program because:

- They were attended by a variety of stakeholders, many with relevant professional expertise;
- They focused on topics in depth;
- Extra time and information was provided to stakeholders which ensured topics were well understood before recommendations were made.

However, some CAB members felt that some Focused Conversations were unequally weighted with several being dominated by vested interests. This had implications for recommendations made to the People's Panel.

## People's Panel

The CAB acknowledges the excellent facilitation of the Panel and the commitment and work of many of the

participants, as well as the important role played by independent experts to ensure participants had access to balanced advice. It also notes SAPN's responsiveness in providing additional information on request and in response to large numbers of questions.

However, CAB's views are split on the value of the People's Panel and concerns persist about the process:

- The number of high-level topics (10) appeared ambitious for this type of deliberative approach given the complexity of the electricity market. Some topics were subject to quick votes at the end.
- All long-term cost impacts on customers were not sufficiently explained, such as the impact of capex over 50 years.
- Not all of the investment programs were in scope. These were inconsistent across topic areas and not always communicated with clarity.
- Cumulative costs were not fully considered. There was insufficient time to properly assess the affordability and efficacy of the whole package (i.e. cumulative costs) of initiatives.

It is the view of some members of CAB that a final examination of the package of investments recommended by the People's Panel should be undertaken by a composite of experts and participants from the Focused Conversations.

## Consumer capacity

The engagement program involved a range of consumers: people from within the sector, community and other representatives engaged in energy issues, and the general public. This approach is applauded by CAB.

SAPN provided considerable information and briefing material to build the capacity and knowledge of participants, and was very responsive in providing additional material when requested.

## Public communication

The CAB commends SAPN on its extensive and transparent communications on the engagement process, providing an excellent feedback loop to all participants and providing information to the general public and other stakeholders on its Talking Power website.

## Impact of the engagement

SAPN committed to taking the outcomes of the People's Panel into its proposal and for the most part did this, providing clear explanation where there was deviation.

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# Executive summary

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## Impact of the engagement (cont)

The CAB remains concerned that the actual impact of customer engagement on the proposal is considerably less than it appears. Only 8 per cent of SAPN's revenue in its proposal has been directly impacted by the community engagement program despite thousands of community and staff hours dedicated to the engagement. The vast bulk of networks' expenditure and revenue is determined by the regulatory framework.

The CAB considers this to be out of proportion and notes the fatigue of those involved, with many participants providing volunteer hours over and above the financial support generously provided by SAPN.

Such intense participation, particularly on the part of CAB and Reset Subcommittee members reduced the diversity of participation because members engaged in work and study and with family responsibilities found it difficult to commit so much time to the process.

## Impact of proposal on consumers

### *Prudence and efficiency*

The CAB commends the Australian Energy Regulator (AER) for putting community engagement at the heart of networks' regulatory reset processes. The CAB continues to seek assurances from the AER that SAPN's entry into the Early Signal Pathway will not result in

lower levels of interrogation when SAPN submits its proposal by the AER. The CAB strongly encourages the AER to thoroughly investigate the prudence and efficiency of the SAPN proposal on behalf of the CAB and South Australian consumers. A robust examination of the SAPN's proposal will demonstrate the integrity of the AER process and build trust in the community.

### *Involvement of CAB in proposal*

The CAB and its Reset Subcommittee agreed to terms of reference (TORs) that in hindsight, limited its involvement to providing advice on the engagement program and not the impact of SAPN's proposal on consumers. This had the following results:

- Programs were discussed largely in isolation of each other with limited over-arching review of total costs;
- Baseline and program costings were presented but not challenged;
- There was no role for the Reset Subcommittee to review total cost outcomes or negotiate a better balance of priorities on behalf of customers.

Despite the TORs, the issues of pricing and impact were raised at all meetings, as could reasonably be expected by a group of community representatives. The CAB believes that with its accumulated knowledge of the energy industry together with members' professional experience, it can contribute to discussions

of efficiency and encourages SAPN to engage in these matters in future processes.

### *Cost and pricing*

SAPN has proposed substantial increases in both capex and opex in its proposal despite customer concerns about affordability. While network prices are forecast to remain steady due to offsetting falls in depreciation, some CAB members would like to see a better balance with expenditure focused on the minimum expenditure required to meet regulated service standards with efficiency and productivity as a focus to deliver better outcomes to customers.

SAPN provided detailed costs for programs considered by customers throughout the process, but these costs were not challenged. While the CAB believes these costings were provided in good faith and commends SAPN for the extensive work in providing this information, the CAB was not able to verify the efficiency or accuracy of cost calculations.

### *Business as usual*

The CAB believes that making community engagement a more central focus of business as usual (BAU) will have better outcomes for SAPN and the state, as well as for future reset processes. Building trust through engagement outside the context of the reset will pay dividends in terms of trust and understanding in future processes.

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# Introduction

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## Introduction

SA Power Network's Community Advisory Board (CAB) intends that this report will:

- Influence development of SAPN's Regulatory Proposal
- Feed into the design and delivery of SAPN's next reset engagement process
- Assist other networks in the design of successful engagement processes in other jurisdictions
- Assist the AER in reviewing its own processes and in particular, its requirement of networks for community engagement.

## Methodology

Spencer&Co drafted this Report for the CAB and was given access to materials developed in support of SAPN's engagement program, the majority of which were available on SAPN's Talking Power website. In addition, Spencer&Co interviewed CAB and Reset Subcommittee members to ascertain members' experience and views of the process, and attended several CAB meetings.

Spencer&Co wishes to thank SAPN staff for their support during the course of this engagement.

## Structure of this report

This report is structured in three parts to provide information to SAPN and AER to evaluate the success of SAPN's engagement process and outcomes for the 2025-30 regulatory process.

### Part 1: Evaluation of SAPN's reset community engagement

Part 1 provides CAB's assessment of SAPN's engagement process according to the guidelines set out in the AER's Better Regulation handbook specifically:

- The nature, breadth and depth of SAPN's engagement;
- The extent to which the proposal reflects consumer views and whether these views were formed on a reasonable and informed basis;
- How issues of importance to SAPN's customers that may be out of scope for the reset proposal have been addressed.

### Part 2: The impact of SAPN's 2025-30 reset proposal on South Australian consumers

The second part of the report highlights the impact the draft proposal will have on consumers and how customers and the design of the engagement process has influenced the proposal itself.

### Part 3: Engagement challenges and issues outside the reset that are important to customers

The final section notes the challenges involved in customer engagement and highlights important issues that lie outside the reset process that have been raised by consumers and the CAB during this engagement process.

# Community Advisory Board (CAB)



The Community Advisory Board (CAB) is the flagship forum for South Australian representative groups and consumers to engage with SA Power Networks on priority issues.

It has been established as a forum for listening, discussion and collaborative engagement with customers and stakeholders to ensure the interests of customers are considered by SAPN when making decisions.

The CAB is tasked with focusing on strategic issues and to be 'future thinking'.

The current CAB was constituted in 2021 and has 16 members from across South Australia's community. They are independent of SAPN but are remunerated for their time to attend meetings. The CAB meets throughout the regulatory cycle every 6-8 weeks.

A subcommittee of the CAB was set up to focus on the Reset and provide advice and guidance regarding the engagement process. SAPN viewed the Reset CAB as an 'engagement partner' and that

*the CAB Reset Sub-committee is not a 'customer forum' whose role is to negotiate with SAPN on specific plans or expenditure proposals, but rather to provide advice on the engagement process only.*

The Reset Subcommittee's role was to:

- Provide strategic guidance and advice on SA Power Networks' engagement process to ensure high-quality engagement outcomes and customer insights shape the Regulatory Proposal for 2025-30
- Ensure SAPN designs and implements an engagement program that delivers a broad range of customer insights, and that these engagement insights have been considered and addressed in our Regulatory Proposal
- Provide assurance to the Community Advisory Board and other stakeholders that they can have confidence

in the quality of the engagement outcomes and that these are reflected in the Regulatory Proposal

Both CAB and its Reset Subcommittee agreed to the Terms of Reference\* focused on advice on the engagement process rather than examining the detail of SAPN's proposal. In hindsight, had a different focus been chosen, different outcomes may have emerged.

SAPN has worked hard to reflect diversity of representation and independence of the CAB and Reset Subcommittee. A full list of CAB members and their associations can be found on page 43.

Both the CAB and Reset Subcommittee are chaired by customers; the CAB by Dr Jessie Byrne, and the Reset Subcommittee by Kelvin Trimper AM. Both Dr Byrne and Mr Trimper receive a stipend to reflect the additional hours their roles require in setting agendas, chairing meetings, leading discussion and reporting CAB's views to SAPN's Executive Leadership Team.

SAPN provides extensive administrative support to both the CAB and the Reset Subcommittee and has been present at all meetings.

The AER has also attended CAB and Reset Subcommittee meetings as observers and to provide information about the regulatory framework, which the CAB and Subcommittee have greatly appreciated.



# Part 1: SAPN's engagement program

Electricity network distributors are required to reflect the views of customers in their regulatory proposals.

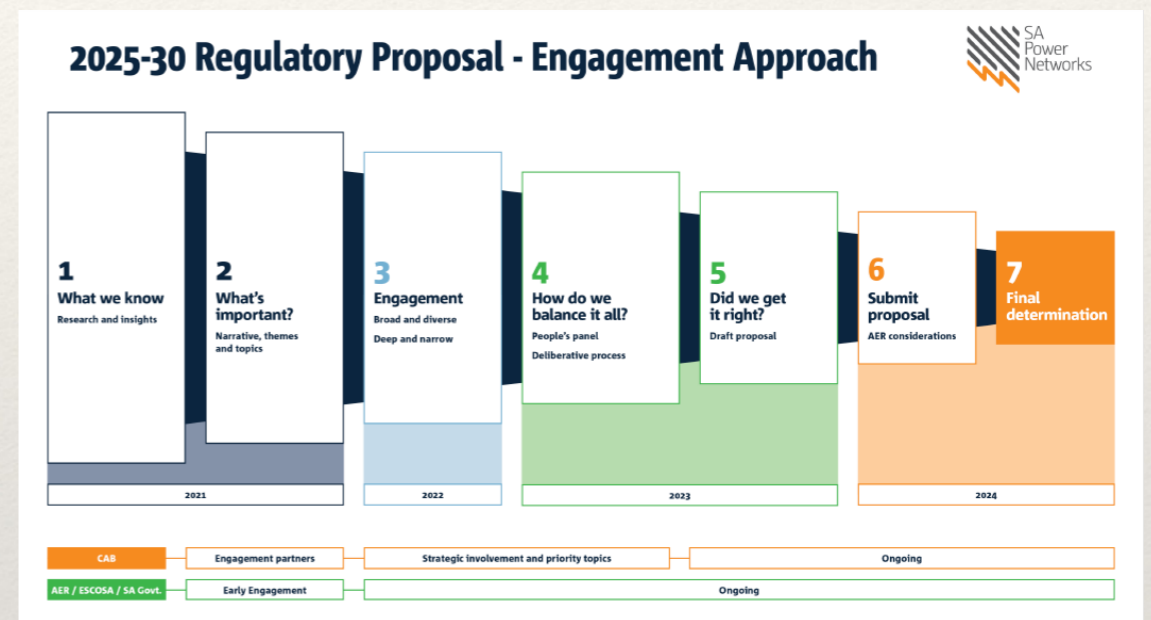
The evaluation of SAPN's engagement process is based on the guidance set out in the AER's Better Reset Handbook which outlines the AER's expectations for business engagement with customers, and is mindful of the IAP2 framework for engagement.

SAPN had a well planned engagement program that started with a large scale survey to establish customers' priorities, then progressed to broad questions discussed with groups of customers and narrowed over time to a set of tangible choices upon which its proposal could be based. The program was sophisticated in its design, thorough in its use of different methods to gain customer insights, genuine in its intent, and largely successful in its ability to identify customers' priorities within SAPN's regulatory constraints.

The CAB have had a largely advisory role in the engagement process. The initial research conducted by Forethought predates the current CAB. However, the current CAB attended as observers in the Broad and Diverse workshops (also called Regional/Diverse), attended as participants and observers in the Focused Conversations and were observers and expert advisors for the People's Panel. Together with engagement professionals *Think Human* (Broad & Diverse workshops) and *democracyCo* (People's Panel), the CAB provided advice on questions and information materials put to each forum, they challenged design elements of the process, provided extensive feedback on survey design for the Marsden Jacobs Customer Values survey, and helped facilitate recruitment of customers to reflect the community.

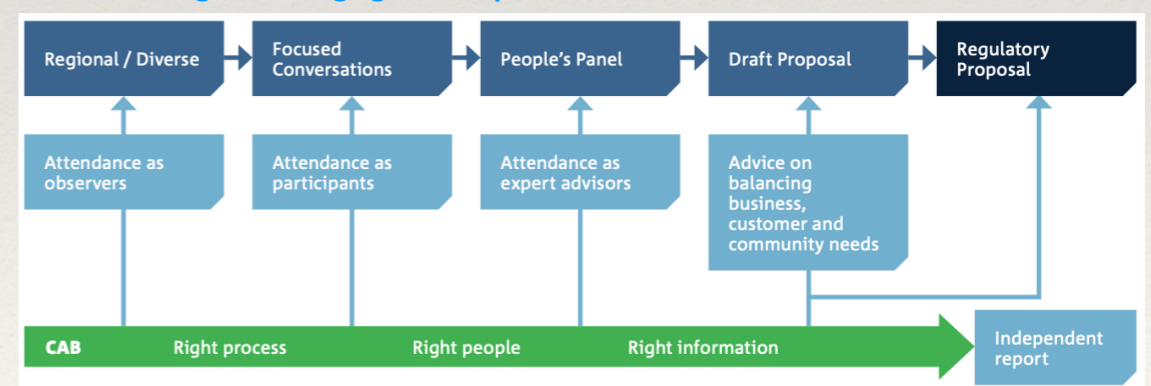
Not all current CAB members were appointed at the time SAPN's engagement program design was endorsed in 2021, but all members of the CAB were able to

comment on elements of the design as the engagement process progressed. A full assessment against the AER's criteria can be found on pages 23-26.



Source: SAPN People's Panel strategy, Talking Power website

## CAB oversight of engagement process



Source: SAPN Draft Proposal, p9

# Part 1: SAPN's engagement program

SAPN's engagement program was extensive in both time and resources. SAPN calculated the hours spent by staff, customers and volunteer CAB and Reset Subcommittee members to the process and provided key statistics in its Draft Proposal which are copied below.

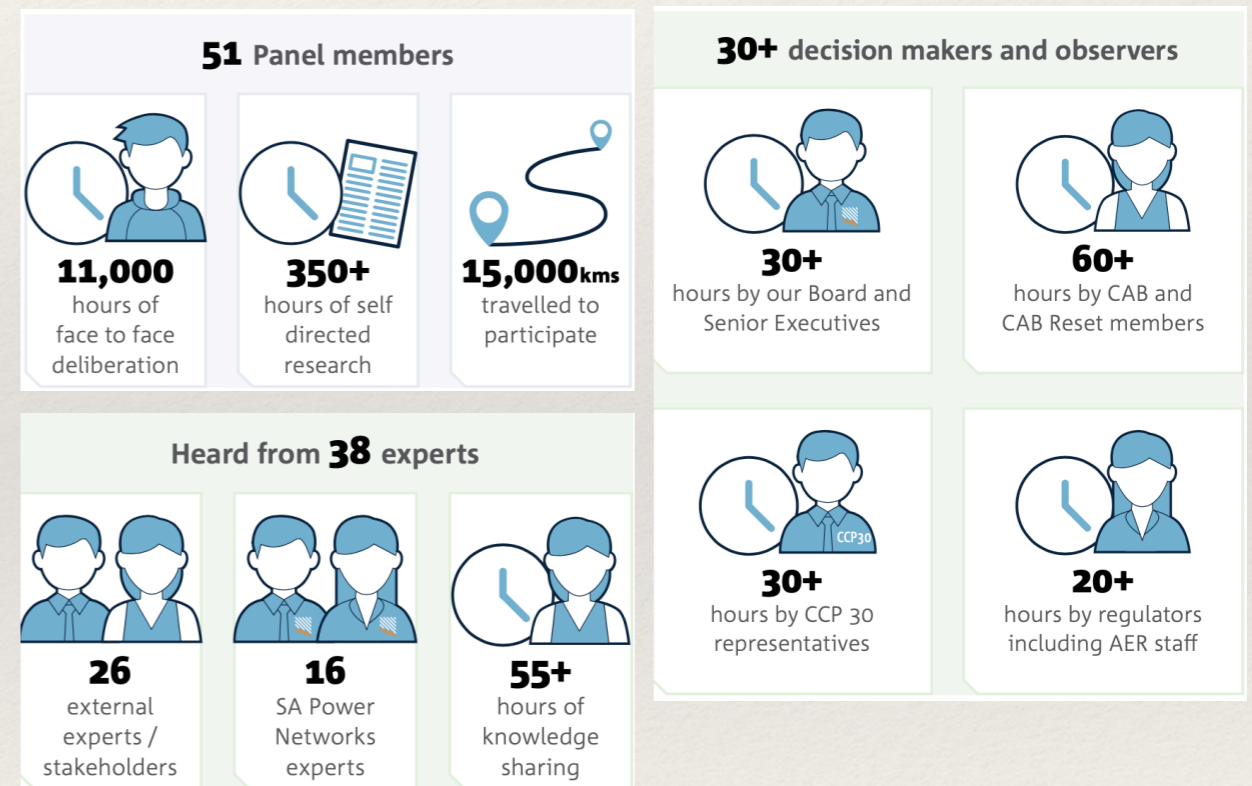
## SAPN resources estimate for Focused Conversations (p20 of Draft Proposal)



Source: SAPN Draft Proposal p20

The figures shown focus on the formal engagement process and do not include hours outside formal committee meetings spent by CAB or Reset Subcommittee members in discussions with SAPN on the design and execution of the engagement process, discussing the content of materials provided to the various forums, or time spent preparing for meetings.

## SAPN estimates for resources for the People's Panel (p23 of Draft Proposal)\*



Source: SAPN Draft Proposal p23

\*There is some debate as to how the engagement hours have been calculated particularly the number of hours expended by People's Panel members via a vis participants in Focused Conversations. However, CAB agrees that the hours spent on engagement by SAPN, customers and stakeholders has been extensive.

# Resources for customers

## Talking Power website

SAPN built a dedicated website, Talking Power, that contains explanatory information for customers who are interested in the reset or involved in the engagement process itself.

The website hosts all of the materials used during the engagement process, including briefing papers, videos, and short clips to inform customers about the engagement process and the regulatory framework. It also shows key themes, key documents, and clear recommendations from one part of the process to the next.

The Talking Power website is hard to find from SA PowerNetworks' main website (there is a small link in a menu at bottom of the page) but the website is an excellent resource allowing customers and independent observers to view recordings of workshops and forums throughout the process and review materials provided to participants.

## Briefing and education

**For customers** - SAPN provided extensive briefing papers to participants throughout the process, including an excellent explanation of the regulatory framework and how it operates.

CAB members contributed to information given to customers throughout the engagement process including the questions put to the People's Panel.

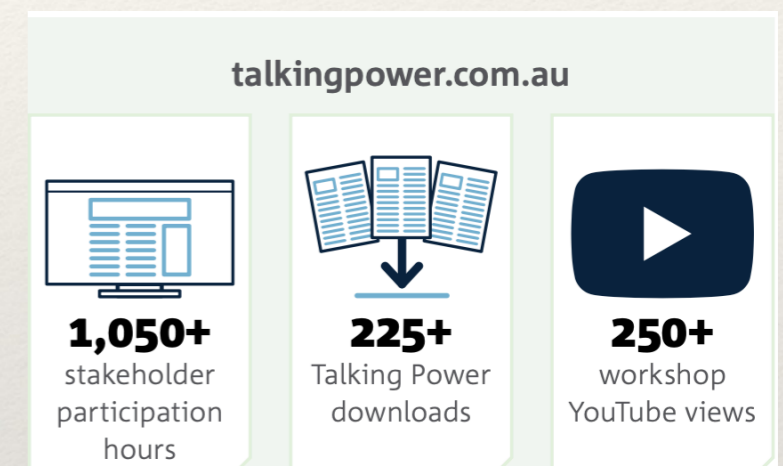
**For CAB** - CAB members were also briefed during the process, and all agreed that extensive information was provided for each topic both up-front and in response to requests for further information.

CAB members noted that SAPN worked tirelessly on briefing materials at all stages of the process and the CAB felt they were provided with sufficient information to make recommendations.

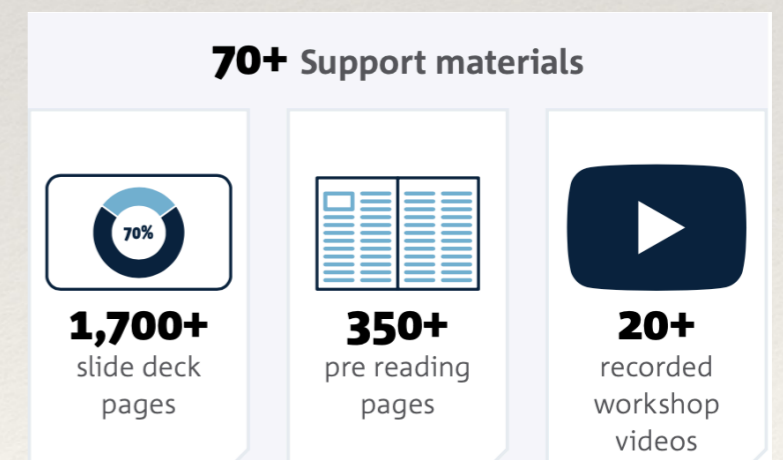
CAB members felt particularly reassured about the veracity and completeness of information when SAPN's analysis was supported by an independent expert. In relation to property, SAPN commissioned KPMG to provide an independent report on property investment requirements, and CutlerMerz and Fraser-Nash Consultancy provided independent reviews of aspects of SAPN's asset replacement needs and forecast program. The CAB encourages SAPN to look at ways it can help CAB members obtain that similar levels of assurance when reviewing information provided by SAPN.

Some members of the CAB missed the challenging and educative input from members of the AER's Consumer Challenge Panel (CCP) which had been a feature of past reset processes. Being able to ask an

independent expert about the veracity of briefing materials, whether options put forward were reasonable, and whether there were other legitimate alternatives that had been omitted from discussion could fill the gap that was in part, filled by the CCP in previous processes.



Source: SAPN Draft Proposal p20



Source: SAPN Draft Proposal p20

# BAU engagement & reset

## BAU engagement

SAPN has an extensive system of BAU engagement and facilitates nine separate customer engagement forums with a wide mix of stakeholders represented:

- Community Reference Group (vulnerable customers)
- Connections Working Group
- Tariffs Working Group
- Public Lighting Working Group
- DER Integration Working Group
- LGA Working Group (vegetation management)
- Arborist Reference Group
- Appropriate Species Advisory Committee
- Solar Industry Reference Group

Some of these groups have been in place for many years (a decade in the case of LGA working group), and others have been established more recently to address emerging issues like DER Integration.

The reference groups are established to address strategic issues and working groups focus on specific topics. All groups meet throughout the year

and share information with a view to enhancing SAPN's policies and practices.

The members of the reference and working groups are typically subject matter experts and SAPN has been able to gain insights from these forums that have improved its processes and operational efficiency.

## Reset engagement leveraged BAU

The customer reference and working groups are in addition (and some report) to SAPN's Customer Advisory Board (CAB) which has three of its own subcommittees:

- CAB Reset Subcommittee which was set up to advise on engagement during the 2025-30 reset process;
- Asset Condition and Risk Subcommittee; and
- Regional and Remote Customers Subcommittee.

SAPN has effectively leveraged its customer reference and working groups in the design of its reset engagement process. Members of the reference and working groups were involved in Focused Conversations and because of their understanding of the energy market and their existing involvement with SAPN, provided valuable insights into the scenarios put to the People's Panel.

Furthermore, SAPN's relationships with group members facilitated access to interest groups targeted in the formal reset engagement process. For example, the Multicultural Communities of SA facilitated access to the Italian communities that were engaged during the Broad and Diverse conversations, and involvement of members of the Customer Reference Group helped recruit community members for groups of renters.

CAB members were also involved as participants and observers in the Focused Conversations. CAB members agree that the most effective engagement for SAPN's reset process occurred during the Focused Conversations because it involved people with professional expertise in the issues being discussed, who had a level of knowledge and experience of the energy market as well as customers who had little knowledge of the industry but brought their lived experience to the discussions.

## Marsden Jacobs' Customer Values Research

A large scale survey was conducted in 2022 across 1250 residential and 140 business customers seeking their willingness to pay for various services. The CAB provided extensive feedback to Marsden Jacobs to improve the design of the Customer Values Research survey which was taken on board.

# Customer strategy research survey

SAPN began its engagement process with a research program to establish 'What we know?' and 'What's important'. These first steps in the process involved SAPN and Forethought undertaking over 435 hours of research, talking to, or surveying 1,270 customers and employees.

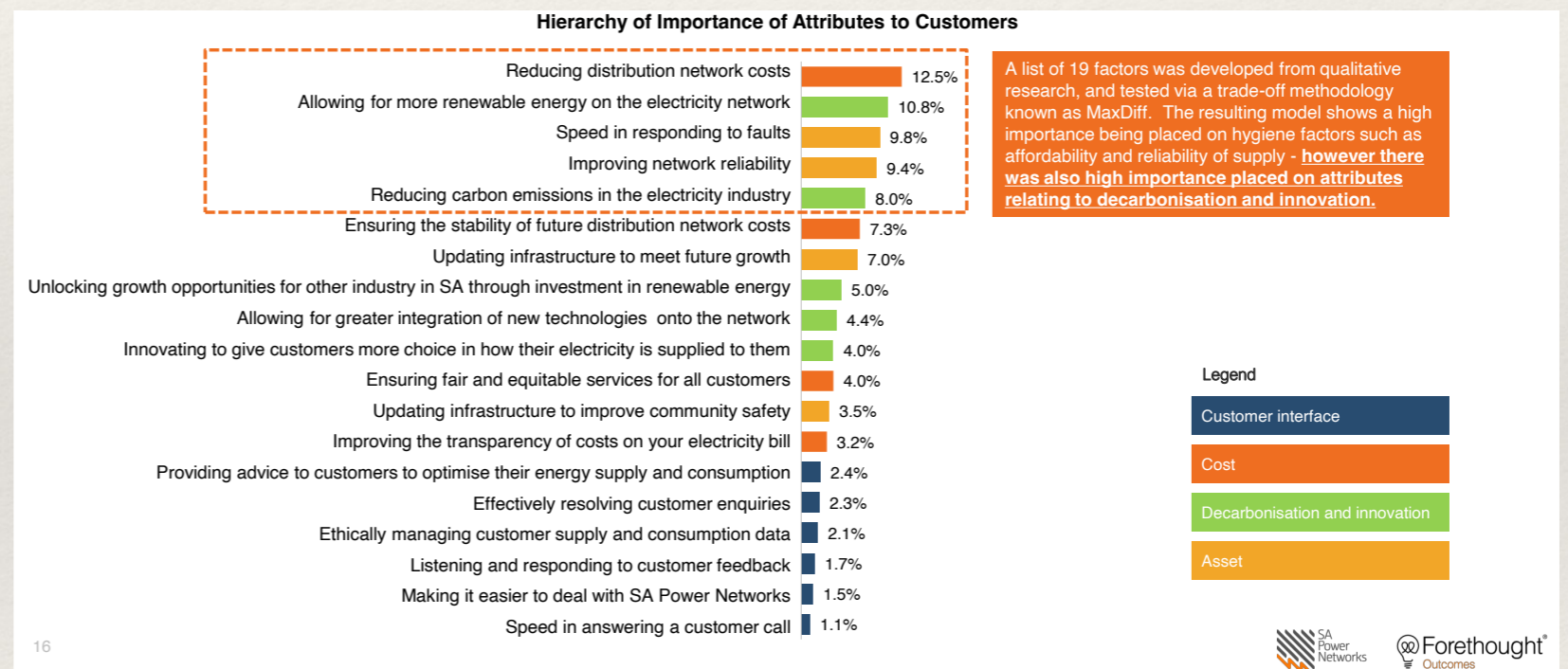
The External Discovery Quantative Phase of the study involved a 20 minute online quantitative study of 1,098 South Australian customers including 644 residential customers (both solar and non-solar), 384 business customers and 50 vulnerable customers to establish a hierarchy of what is most important to customers with respect to the services that SAPN provides. The research also measured SAPN's current performance, and the drivers and measurement of overall customer satisfaction.

A list of 19 factors was developed and tested using a trade-off methodology. Cost, reliability and decarbonisation of the grid were of the highest importance to customers with reducing network costs (12.5%) being the most important factor.

The results published in Nov 2021 as *Empowering Customer Experience Transformation Research Report* underpinned the four themes SAPN used throughout its engagement program.

Reducing distribution network costs was ranked as customers' highest priority\* and the study identified that customers of all types found the

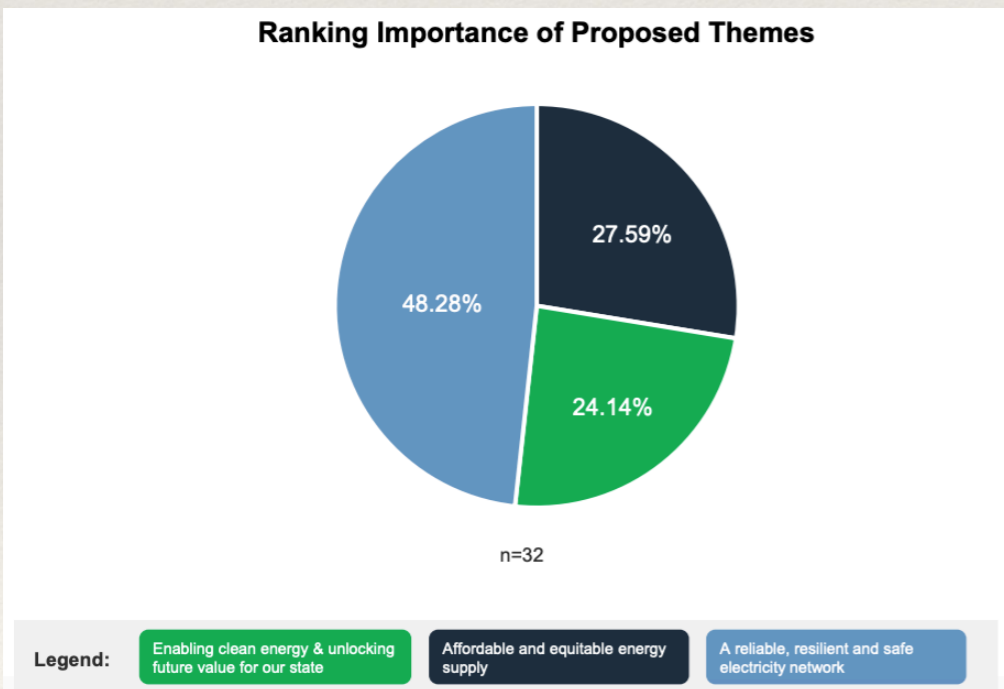
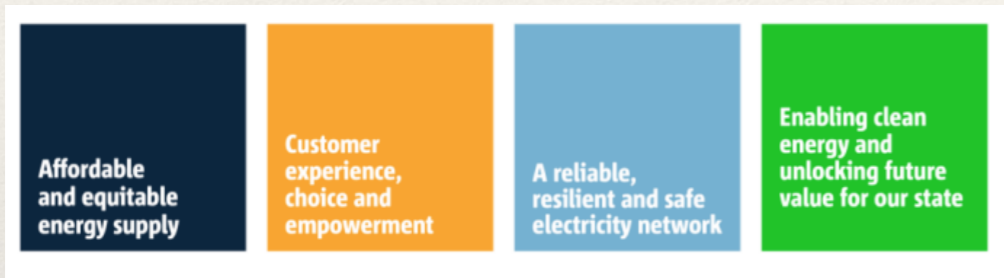
electricity industry hard to understand and 'while different customer types had different needs, their unmet needs were consistent - the knowledge and tools required to feel truly empowered no matter where they were in their relationship to energy.'\*\*



Source: *Empowering Customer Experience Transformation*, Research Report, Forethought Nov 2021 p16.

# Engagement launch

SAPN launched its engagement program in February 2022, almost two years before its proposal will be submitted to AER. The launch was attended by CAB members and other stakeholders. SAPN sought feedback from stakeholders about its proposed engagement program and the key themes that had been identified in its *Empowering Customer Experience Transformation Research Report*, Nov 2021.

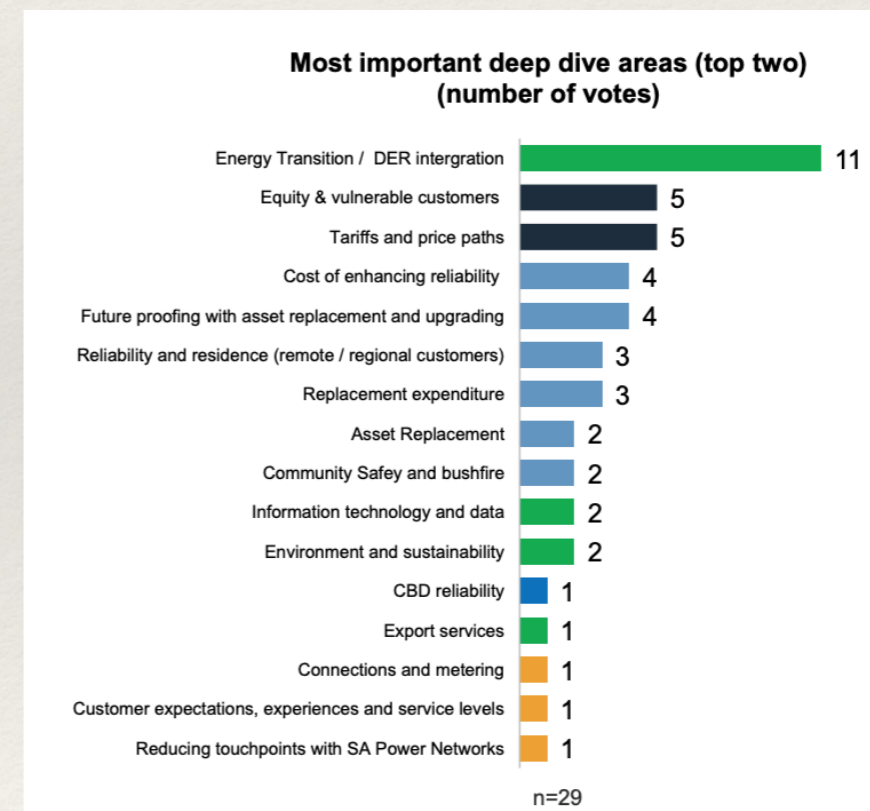


Source: Regulatory Reset 2025-30 Engagement Launch Event, Executive Summary

SAPN used the launch to identify which theme was the most important for stakeholders and which topics should be prioritised for future discussion in Deep Dive sessions.

Of the 32 respondents, almost half prioritised a reliable and safe network as the most important theme, with the other half split between ranking affordability and equity, and enabling clean energy future as the most important.

When asked to prioritise issues for deep dive, 29 stakeholders indicated that areas relating to energy transition and prices and equity were the most important.



Source: Regulatory Reset 2025-30 Engagement Launch Event, Executive Summary

# Broad and Diverse workshops

12 workshops were externally facilitated by *Think Human* between April-June 2022. 153 people attended six workshops in the regions and a further 80 people attended six workshops targeting special interest groups not typically heard from during reset engagement processes:

## New voices:

- Afghan community
- Italian community
- Youth
- Renters
- Deaf and hearing impaired community\*
- First Nations community

## Regional workshops:

- Riverland - Renmark
- Adelaide - Metro\*\*
- South East - Mount Gambier
- Adelaide Hills - Mount Barker
- Eyre Peninsula - Port Lincoln
- Upper North - Whyalla

SAPN did not try to capture priorities for all cultural groups, but targeted different groups to those engaged during its last reset with a view to building a richer understanding of the needs of different cultural communities over time. In 2020-25 SAPN engaged Bhutanese, Burmese, Chinese and Vietnamese communities. In the lead up to the 2025-30 reset, SAPN engaged with the Italian and Afghani cultural groups.

Conversations focused around SAPN's four themes and reflected varying levels of knowledge and experience of the electricity industry. Energy affordability was a major concern in all of the workshops. Reliability and bushfire risks dominated discussions in the regional workshops whereas some migrant communities had very low understanding of the electricity market with discussions focused on basic issues like in home safety.

Customers in the regional workshops were asked about the importance of investing to improve reliability, resilience, and safety, as well as the importance of support for vulnerable customers, investing for future services customers want, and how active a role SAPN should play in the energy transition. Customers indicated that all these factors were important with most regions supporting greater than current levels of investment for all these reasons. Customers were not asked to rank or trade off factors against each other, and were shown high level expectations for network prices to go down even if investment increased in all these areas.

## CAB observations:

CAB members who observed the workshops noted that affordability was the highest priority for participants. Due to the range of topics discussed at the session, some members reflected the consultant's report did not reflect the dominance of customers' affordability concerns. Think Human, who conducted the workshops, also noted in interview that affordability was the number one priority during the workshops and suggested that if the workshops were held again, affordability would

dominate discussions even more compared to the desire for additional services.

During the workshops SAPN presented proposals and actively listened to customers. Feedback was that SAPN was genuine, open minded, and responsive, but despite the general discussion that took place initially, some CAB observers noted that many of the issues raised were out of scope, or when in scope, were already part of the scenarios SAPN had prepared. This led to some views that in preparing scenarios, SAPN had defined the inputs that shaped the outcomes.

SAPN was culturally sensitive in its approach to migrant communities with expert facilitators liaising with members of the community in advance to inform the design, timing and recruitment for the workshops.

*Square Holes* was engaged to recruit members of the public for the workshops, but not all workshops were well attended (e.g. Mt Barker) and some CAB members were concerned that a small number of participants attended because they were paid a honorarium and had little knowledge or interest in the issues. CAB also noted it was difficult to engage representatives from remote First Nations communities and many people recruited did not turn up to discussions.

CAB commends SAPN's efforts to engage with diverse parts of the South Australian community. However, CAB members believe that engagement with the diversity of South Australia's community including First Nations communities is important and further work is required for SAPN to reflect this diversity in its BAU engagement.

\* SAPN is the first distributor to specifically seek feedback from the deaf and hearing impaired community.

\*\* CAB members argued that more sessions should have taken place in Adelaide to reflect the proportion of population living in the city but this was ruled out due to tight scheduling.

# Focused Conversations

## Effective, knowledgeable and meaningful engagement took place in Focused Conversations

The Focused Conversations were designed with 20-25 stakeholders in each, and structured around priority topics identified by customers in SAPN's Customer Values Research survey and raised during the Broad & Diverse workshops.

**Extensive** - 10 Focused Conversations occurred across 40 meetings over several months in 2022 on the following topics with 3-4 meetings on each:\*

- Tariffs
- Equity and vulnerable customers
- Energy transition
- Managing a reliable, resilient and a safe network
- CBD reliability
- Customer experience and interactions
- Vegetation management
- IT cyber security\*\*
- Property\*\*

The Focused Conversations discussed a single topic in detail. Participants reviewed and discussed the three investment scenarios SAPN had developed and voted for a scenario to be put to the People's Panel as a recommendation. A template was used as an 'output' of the Focused Conversations and an 'input' to the People's Panel.

**Representation** - Senior staff (including EGM level) and subject matter experts from SAPN attended each conversation.

**Expertise** - The conversations leveraged the expertise and experience of BAU stakeholder reference group members and CAB representatives so that a mix of experienced voices as well as other community representatives contributed to discussions.

**Accessibility** - Hybrid sessions (face-to-face and online) ensured participants could access discussions, which was particularly important for participants based in regional areas as most conversations took place in Adelaide.

**Information** - Extensive pre-session information packs were provided for each session. Topics were discussed in detail and conversations built from one session to the next.

SAPN provided all participants with a Financial Fact Sheet that explained the way the building block framework works. It was a concise, well written and comprehensive document that could be used by other stakeholders in future.

Participants were impressed by the time SAPN made available for the Focused Conversations and the effort staff went to, to provide additional information. Extra meetings were scheduled when a

group asked for more detailed information and SAPN offered one-on-one briefings when individual participants felt they needed more explanation of complex issues.

Participants were impressed with the detailed data and research provided in response to information requests, particularly in relation to tariffs.

**Transparency** - SAPN showed its commitment to transparency throughout the process and surveyed participants throughout to obtain preferences and rankings of priority areas. For example, votes were taken to identify regions where reliability should be improved, and to identify priority areas for expenditure. SAPN also provided each workshop with summaries of agreements reached in past workshops so they could continue to build on consensus.

Questions asked by participants were included in the slide packs made available on the website and these show the difficult questions and challenging topics raised by participants. Feedback is that SAPN was open, was not defensive, and went beyond expectations to provide information requested by participants.



# Focused Conversations

## CAB observations:

### Inputs influenced outputs

SAPN constructed three investment program scenarios for customers to facilitate discussion and link investment costs to delivery of outcomes. The scenarios were developed ahead of the engagement process but took account of issues raised during the Regional and Diverse workshops.

SAPN presented the scenarios to the Focused Conversations and while customers were able to amend them, and in some conversations they did, the scenarios remained largely unchanged throughout the process.

Scenario 1, called 'Basic', was based on recurrent expenditure and developed as a 'do-nothing' scenario; a counterfactual. It was described as resulting in a 'loss of service' and largely dismissed by customers because it did not deliver compliance with reliability and other regulated standards. It was seen by many as a non-credible option, which left only two scenarios for customers to choose between.

Scenario 2, called 'Comply', comprised additional expenditure to deliver target service standards, and Scenario 3, called 'New Value', added further expenditure to deliver enhanced standards of service, often above regulatory requirements.

Each program scenario was costed and a marginal bill impact shown for both business and residential customers for Scenarios 2 and 3.

The CAB have some concerns about this approach:

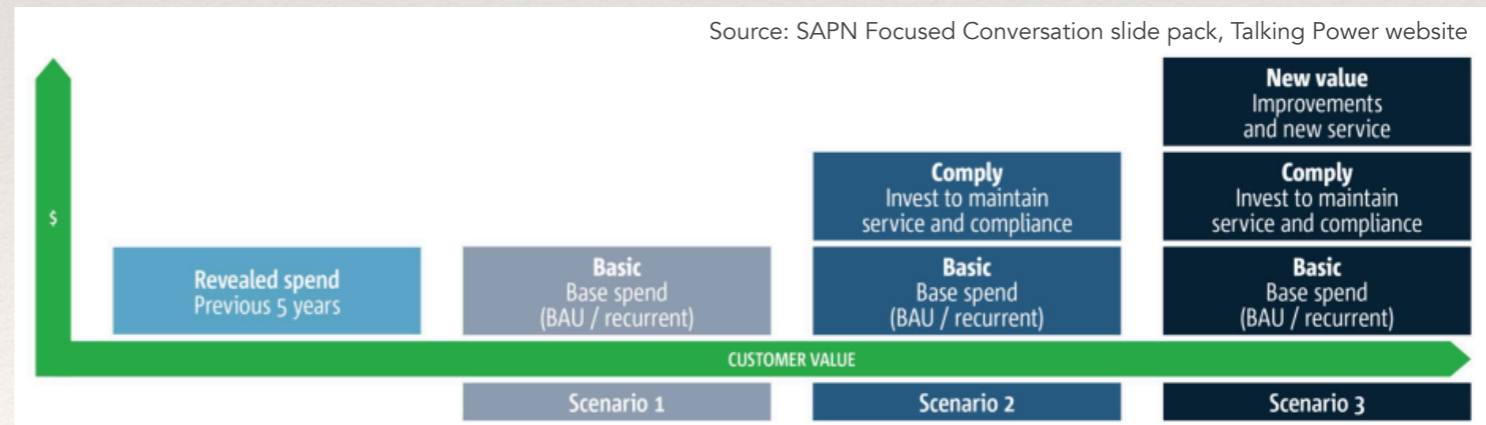
1. Scenario 1 may have resulted in an increase in network risks, but would have delivered substantial savings to customers due to external factors driving bills down (i.e. depreciation, increased energy throughput, end of PV FiT) and investment being kept at existing levels. However, Scenario 1 was not presented as a low cost option (i.e. where costs would go down), but was presented as a 'loss of service' option that was non-compliant.
2. There was limited discussion about how or whether expenditure could be reprioritised to deliver outcomes differently. Was there a way for SAPN to deliver similar outcomes without a large increase in costs?

3. Scenarios 2 and 3 were presented as programs of work to maintain current levels of service or enhance levels of service. They were presented as being packages of work to be added to baseline expenditure (i.e. costs could only go up).

In most cases there was a large difference between the costs of Scenario 1 and 2, and a relatively small difference between Scenarios 2 and 3. Customers who felt Scenario 1 was not a credible choice were forced to choose between a large increase in expenditure or an even larger one with consequent additional costs. In the case of reliability, resilience and safety, a compliant Scenario 2 involved a doubling of expenditure from \$600m (Scenario 1) to more than \$1200m (Scenario 2) over the period.

While not all conversations considered such large program costs or such significant variances between options, the presentation of scenarios, particularly an option that did not meet regulatory standards, influenced customers' choices.

Source: SAPN Focused Conversation slide pack, Talking Power website



# Focused Conversations

## CAB observations (cont):

**Marginal costs versus total costs** - The dollar impact of each program in each scenario was shown as the marginal additional cost to a residential or business customer annual bill. This was helpful because it gave customers an understanding of the impact of their decisions, but it had the potential to mute the implication of capital expenditure decisions over the long term. In discussions on replacement, when program costs were converted, the impact on an individual customers' bill was relatively small, but the program represented a 200% increase in current replacement costs - costs that are locked in for the life of the asset (approximately 50 years). Some CAB members were concerned that the long term cost impact was lost in the relatively small annual costs shown for capital programs and that the impact of the capex program on SAPN's RAB, which grows over the period, was not well understood.

SAPN presented forecast cost of scenarios as ranging from \$3.4b-\$5.1b with all scenarios leading to lower distribution costs (based on cost iteration 2). However, because programs and costs were most often presented as marginal costs, some CAB members felt that costs were not reflected as a total package often enough to allow customers to balance the price / service tradeoff. This became more and more important as cost forecasts were refined.

**In-scope and out-of-scope** - Not all of the investment programs within a topic were 'in scope' because routine or ongoing programs were sometimes excluded from discussions. In addition, some programs were excluded because they were linked to capex programs and included elsewhere. While most CAB members felt SAPN did a good job in trying to explain this complexity, it did mean that customers discussed parts of programs and did not always have access to total program costs.

One example is the conversation focused on cyber security and the benefits and costs of exceeding current cyber security requirements. Issues of who should pay for cyber security above the current requirements were raised during the Focused Conversation, but because the baseline was not discussed, the conversation did not extend to whether additional expenditure should be funded by new money or through a reprioritisation of the existing IT program.

**No challenge to program costs** - The costs of programs was not challenged through the engagement process. Customers chose between scenario options costed by SAPN. The issue of cost remains a concern for all members of CAB and the Reset Subcommittee.

**Vested interests** - On the whole, the CAB appreciated and encouraged the diversity of

stakeholders represented in the Focused Conversations. However, in some cases, some CAB members felt as though they were dominated by interest groups who had a vested interest and treated some forums as a 'shopping spree'.

The variety and number of interested parties represented in discussions was good for discussion but had implications when participants were asked to vote on the scenario to be recommended to the People's Panel. For example, a large proportion of attendees at the Bushfire Safety Focused Conversation represented emergency services, local council and other critical infrastructure providers. Only two representatives from SACOSS and BusinessSA raised concerns about the cost of programs to customers. This Focused Conversation voted for Scenario 3 - New Value which was expected given the balance of voices represented in the group.

**Limited review of past capex delivery** - Questions were raised about under-delivery of replacement expenditure in past years. For some participants, SAPN's ability to divert funds regardless of the basis for the AER's determination caused disquiet, and some worried that SAPN might disregard customer preferences in future. Time spend by SAPN explaining the drivers behind past capital expenditure decisions is likely to increase confidence in SAPN's decision making and the flexibility of the regulatory framework in future.

# Focused Conversation: Tariffs

## Example: Tariffs

CAB considers the Focused Conversation on tariffs was the best example of engagement. It was the only forum to consider revenue recovery rather than expenditure and the only forum in which some CAB members felt equity was an explicit consideration.

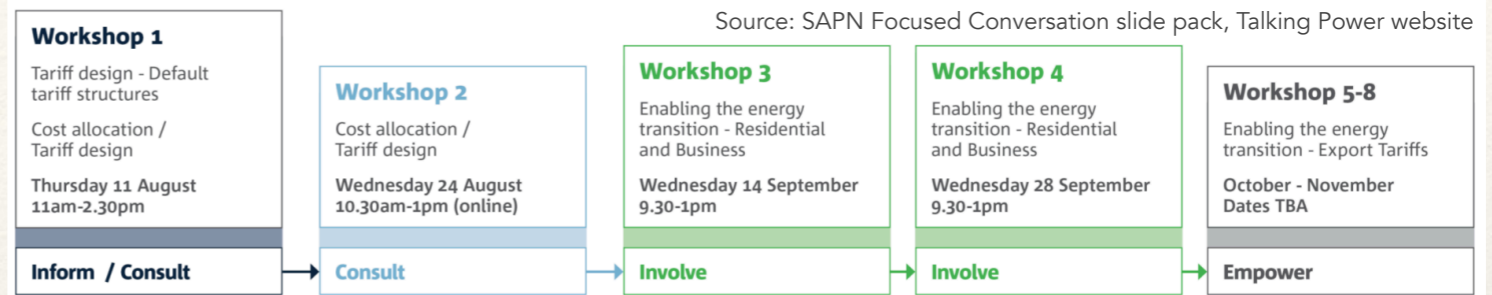
CAB members who were involved were very complementary about the process and believed that it produced very good outcomes.

Nine separate workshops took place to discuss tariffs - the first four discussed issues like tariff design, time of use, tariff assignment, cost allocation and the role of retailers, and the following five workshops focused on the development, application and impact of export tariffs.

Workshop attendees were knowledgeable and understood the rationale behind export tariffs with some members having been involved in the AEMC process that led to recent rule changes allowing export tariffs. Attendees bought in to the workshop process and understood the bigger picture and the costs involved.

For members who were less informed, SAPN held one-on-one and small group briefings to ensure everyone had a thorough knowledge of the issues.

SAPN mapped the tariff issues discussed in the workshops against the IAP2 framework. The introductory workshops that covered existing tariffs were assigned to an 'Inform' and 'Consult' level with discussions on energy



transition and vulnerable customers targeting the higher 'Involve' level of engagement.

Export tariffs were assigned an 'Empower' level. At this highest level of engagement, the goal is to place final decision making in the hands of the public, and to implement what they decide.\*

The Focused Conversation on export tariffs operated as a negotiation where all parties collaborated to develop options to put to the People's Panel. Despite the fact that decision rights were given to the Panel not the Focused Conversation, CAB members who attended felt comfortable with the process because there was no pre-conceived outcome other than export tariffs would commence at some time in the future.\*\* Different perspectives were heard and debated and where further detail was required, SAPN responded with a substantial amount of data and research. CAB members commended SAPN's responsiveness to questions, and the information provided to support discussion.

The Focused Conversation on export tariffs recommended that SAPN assign all export customers to an export tariff at the beginning of the regulatory period. This recommendation was put to the People's Panel, but

the Panel was unable to reach agreement on this issue despite significant effort from *democracyCo*.

In the end, there was a 50:50 split with half the Panel opting to introduce a solar export tariff for all solar customers at the start of the 2025-30 regulatory period, and half choosing not to apply an export tariff in the period at all. Faced with a lack of consensus, SAPN reverted to the recommendation made by the Focused Conversation and has included a solar export tariff for all solar customers from 1 July 2025, a decision supported by the CAB.

Some CAB members believe that the split in the People's Panel recommendation reflects a split in the community they have observed, while others thought it may have been caused by confusion due to investment in capacity to facilitate solar export and the recovery of costs via export tariffs being discussed together.

The outcome is that South Australian customers who rely solely on the grid will not bear the extra cost of increasing network capacity to facilitate solar export, but this cost will be borne by solar customers via a solar export tariff. SAPN's price forecasts solar customers will pay marginally higher network bills (+\$7) in the 2025-30 and non-solar customers will pay marginally less (-\$3).

\* IAP2 framework - iap2.org.au

\*\* SAPN did not present an option where solar export tariffs were not introduced at all. The question was one of timing,

# People's Panel

## Representation on the Panel

SAPN went to great lengths to ensure the diversity of the South Australian community was represented in the People's Panel and through democracyCo, recruited participants to reflect the diversity of age, gender, socio-economic group, geographic location, solar vs non-solar customers and diversity of values of South Australians. SAPN, with CAB's encouragement, tried to ensure that vulnerable customers and business customers were well represented in the Panel.

51 customers commenced the 6.5 days (45 hours) of deliberation. 14% of panelists owned a business and 22% of panellist identified as 'experiencing vulnerability'. The sessions were held over three weekends from Dec 2021 - March 2022. Some participants dropped out during the process, but a majority of panelists were present at the final session.\*

The People's Panel was externally facilitated and panelists were compensated for their time, and where appropriate received financial assistance with accommodation and travel costs.

democracyCo asked former CAB Chair and energy expert, Dr Andrew Nance, to present to the Panel and be available as an independent expert throughout the process. Several other stakeholders made presentations to the Panel. CAB members were observers to the People's Panel and several members also attended as independent experts.

## Two questions were put to the People's Panel

The CAB discussed and endorsed the two questions put to the People's Panel in detail.

1. There are choices about the level of service that SA Power Networks offers, however all services come at a cost. Looking forward to 2025-30 - we want to understand what customers consider is the best balance of service and price?
2. Regulation requires SA Power Networks to consider export tariffs that reflect the cost of providing this service. Can the transition be phased in to maximise fairness and equity for all?

## Price / service balance

When deliberating about the right price / service balance, the People's Panel were asked to consider the recommendations from each of the Focused Conversations. These were recommendations for individual investment programs designed to deliver specific outcomes.

The Panel considered the following criteria:

- Sustainable - environmentally sustainable for generations
- Appropriate - meet the needs of all consumers
- Reliable and resilient - for all customers
- Future ready - future proof and adaptable for all consumers

- Affordable - for households, industry, business and essential services

Of the 27 recommended initiatives from the 10 Focused Conversations, the People's Panel reached consensus on 25 initiatives and were unable to reach consensus on the remaining two (consensus required 80% agreement).

The majority of panelists, independent experts and CAB observers were surprised that despite the disparate views represented within the Panel, after listening and discussing issues Panelists were able to reach consensus on the majority of issues.

## Outcomes

SAPN's CEO and Executive Leadership Team attended the last session of the People's Panel and gave honest reflections on the process. CAB observers remarked that their presence and comments demonstrated that SAPN's Executive had bought in to the process and was really listening.

The People's Panel report was accepted by SAPN without change and the majority of recommendations have been adopted in SAPN's Draft Proposal where consensus was reached. CAB members noted that SAPN took a risk with the People's Panel process and commend them for doing so.

\* There is concern amongst CAB members that there was a significant drop in the number of people present at the critical decision making sessions towards the end of the People's Panel process.

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# People's Panel

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## CAB observations:

### Role of the CAB at People's Panel

The CAB were invited to attend the People's Panel as observers to the process and many members manned information stations with SAPN staff to provide an independent view of issues being discussed. Dr Andrew Nance also attended the entire session as an independent advisor. This was a great initiative by SAPN and added to the balance of views being contemplated by the Panel.

Not all CAB members attended every Panel session which some members believe has contributed to different views amongst CAB members about the success or otherwise of the People's Panel. CAB members who attended all sessions saw the process as a success and observed the journey Panel members took to understand, deliberate and ultimately make recommendations on investment programs. For these CAB members, success of the process as a whole was greater than the success of individual parts.

On the whole, CAB members were impressed with the passion that Panelists brought to the issues, although some CAB members questioned the motivation of some of the Panelists who attended. Most took their job seriously with many studying briefing materials between weekend sessions to ensure they were across the issues.

Panelists were concerned about affordability, but were also passionate about OH&S issues, bushfire risk, cyber security and protecting local jobs through the protection of SAPN's transformer workshop.

If such a process is undertaken again, more consistent attendance of Panel members and CAB observers is likely to contribute to greater confidence in the process.

### Decision rights

SAPN gave decisions right to customers through the People's Panel. The options were based on the scenarios and SAPN retained the ability to reject options where, in their view, a convincing business case could not be mounted.

Not everyone was happy with the process (which is to be expected). However, some of the Panelists raised concerns that the outcomes were heavily influenced by what SAPN wanted from the process. Some CAB members shared this view.

*"SAPN chose the options, the (Focused Conversations) gave views on these; we had limited scope of action."*

*- respondent to democracyCo evaluation*

### Not the right process to use

Some CAB members thought that giving the final say to everyday customers was inappropriate due to the complexity of issues and time allocated to the deliberations. CAB endorsed the topics selected for discussion, but in hindsight the majority of members believe there was too much content to be considered at the People's Panel in the time allocated. Ten topics were presented to the Panel, several with sub-topics, and each topic and sub-topic was complex and often inter-related which created confusion and added complexity to the Panel's task.

The People's Panel was convened over 6.5 days (three separate weekends between Dec-Mar) which was a significant time commitment for all those involved. It was not seen as feasible to ask customers to spend any more time deliberating issues. The relatively high attrition rate of panelist over the period supported this view.

CAB observers and participants thought the facilitators from democracyCo did an excellent job to get through the materials but in the end, both CAB observers and many participants felt they did not have enough time to consider issues properly. That being the case, several CAB members believe that a People's Panel was not the right process to use as the final decision making stage of the engagement process.

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# People's Panel

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## Transition arrangements for the export tariffs.

The AER Export Tariff Guidelines specifically require distributors to partner with customers and empower them to meaningfully contribute to consideration around where, when and how to introduce two-way pricing (AER Export Tariff Guidelines, May 2022).

SAPN was one of three proponents of the recent rule change to allow export charges\* and the People's Panel was an opportunity to engage customers on this issue. However, the inclusion of export tariffs in a list of topics based around expenditure and willingness to pay caused confusion among some Panelists. For example, SAPN had already committed to additional capex to increase network capacity to facilitate export, but then discussed solar exports in the context of revenue recovery. Some CAB members observed confusion amongst the Panel and suggested it was a contributing factor to no consensus being reached on this topic.

It was unfortunate that time spent trying to gain consensus on export tariffs ate into time the Panel could have used to weigh up whether the outcomes chosen reflected the best price / service balance. The end of the Panel was rushed leaving insufficient time to review the program and costs. The lack of review of the overall program is an important issue from the CAB's perspective.

## Total cost impact

Investment programs were discussed per topic in small groups as per the Focused Conversations and although SAPN did present the total costs during the People's Panel, some CAB members thought this critical information should have been presented more frequently during the Panel's deliberations and certainly should have been made clear towards the end of the process.

## Reliance on People Panel's report

According to the feedback report from participants undertaken by democracyCo, some participants felt there was not enough time to consider all the materials and not enough time spent on producing the summaries and Panel report which SAPN has relied on. Others were concerned there were too many topics covered in one session, and felt they weren't considering the recommendations with enough time and detail. This aligns with some CAB members' views.

The CAB consider that the process could have been improved had outcomes of the People's Panel been reviewed. Such a review could be undertaken by a composite group of experts and participants from the Focused Conversations.





# Review against AER engagement criteria

This table represents the CAB's assessment of SAPN's engagement program against the criteria set out in the AER's Better Regulation Handbook. The coloured cells represent a result based on a majority view of the CAB using the colour key on right. Where consensus could not be reached, a minority assessment is indicated by a coloured border and explained in the commentary.

The CAB note the AER's criteria is focused on the engagement process but recommends it be reviewed to focus on outcomes of the process as well.

**Green:** achieved  
**Yellow:** minor areas of concern

**Orange:** significant areas of concern  
**Red:** failed to meet criteria

Measure	Attributes	Result	CAB assessment
Sincerity of engagement	Genuine commitment from network businesses Boards and Executives.		SAPN's engagement program was designed in collaboration with CAB's predecessor. Several ELT members attended Focused Conversations, People's Panel, and CAB meetings with very strong support from Jessica Vonthehoff (EGM - Customer & Community) and Mark Vincent (EGM - Strategy & Transformation)
	Openness to new ideas and a willingness to change		SAPN made changes to design and materials at various stages of the engagement process as a result of feedback, particularly from CAB via Reset Subcommittee. Changes to People's Panel questions, overhaul of the Marsden Jacobs consumer survey, over-representation of customers in vulnerable circumstances within the Panel, and extra meetings for topics are some examples. However, some CAB members remain disappointed the FiT was included in price impact calculations because it made the impact of network costs less visible, and were also concerned that average price impacts were used because it distorted the fact that impacts would vary significantly if customers had solar or not.
	Ongoing engagement with consumers about outcomes that matter to them - consumers to 'set the agenda'		Some ideas raised in Focused Conversation were actioned immediately and incorporated into BAU (e.g. vegetation management woody weeds and saplings). Engagement topics were influenced by consumer voice through surveys and Broad & Diverse workshops which 'set the agenda'. The Focused Conversation topics and membership were set up in consultation with the Reset Subcommittee to cover issues raised (and others) and the discussions, particularly at the Reset Subcommittee helped develop programs that were put to the People's Panel for decision. Some CAB members believe that lowering networks costs and affordability was raised repeatedly as a priority, but was not a driving consideration in the expenditure proposals. The focus was on varying service levels (above basic) rather than reduced costs for customers.
	Ensuring consumer confidence in the engagement process		Most customers reflected positively on the process, although the lack of discussion on efficiency and productivity, and the narrow suite of options that was eventually given to the People's Panel gave rise to a small number of participants being scepticism about the value of the process.

Measure	Attributes	CAB assessment
Consumers as partners	Network businesses should collaborate with and, where appropriate, empower consumers in developing regulatory proposals	Some CAB members were involved with the design of the engagement process initially created by SAPN as part of the previous CAB noting the target levels of engagement for each topic. Current CAB members were engaged in refining the design of program elements, review of briefing materials and design of questions put to the People’s Panel.
		SAPN asked the People’s Panel to decide between program scenarios to be included in the Regulatory Proposal and SAPN has represented the Panel’s recommendations in its proposal. Some CAB members believe that customers were not empowered to develop the proposal, but were presented with a selection of options developed by SAPN, then asked to vote on the options.
	Consumer engagement should be a continuous business-as-usual process	SAPN leveraged the expertise within its BAU topic based Reference and Working Groups in the Focused Conversations. CAB members agree that engagement was most effective and had most influence in these forums.
Equipping Customers	Networks must provide consumers with accurate and unbiased information necessary to meaningfully participate.	SAPN provided extensive briefing materials during Focused Conversations and responded diligently to questions. All information was provided on their Talking Power website for transparency. CAB members agreed that SAPN went above expectations in responding to customer questions. Some CAB members remain concerned that the long term impact of increases in capex on RAB and on long term depreciation, and the consequent impacts for future prices was not adequately communicated, nor were the different bill impacts explained for solar and non-solar customers explained for most expenditure programs (with the exception of solar tariff discussion).
	Consumers need to have the ability to source independent expert advice	democracyCo made an independent expert, Dr Andrew Nance, available to participants in the People’s Panel and several other stakeholders made presentations. CAB members were also invited to provide independent information to the People’s Panel and were participants in the Focused Conversations.
	Consumers are appropriately remunerated for their contribution to the development of proposals	SAPN provided remuneration to members of CAB and Reset Subcommittee members, as well as participants within the People’s Panel, Focused Conversations and Broad and Diverse Workshops. SAPN also assisted with travel and accommodation costs for those attending sessions from remote locations.
	Independence and integrity of consumer engagement processes	The engagement program design was endorsed by the previous iteration of the CAB and designed with experts. All participants noted the integrity of SAPN staff involved in the process and remarked at the honesty and lack of defensiveness of senior SAPN staff involved in the process. All CAB members thought that SAPN’s intent to engage with customers was genuine.
Accountability	Transparent reporting and consultation	<p>SAPN had a clear design of its engagement program up front and published outcomes from each stage of the process.</p> <p>SAPN made all resources available to the public through its Talking Power website.</p> <p>SAPN conducted mini-surveys during discussions to record consensus and sent follow up emails to all participants about results and feedback.</p> <p>CAB reported directly to SAPN’s ELT on the health and progress of the engagement process.</p>



Measure	Attributes		CAB assessment
Accessible, clear and transparent engagement	Outlining objectives, engagement issues/topics and the level of participation and influence consumers can expect		SAPN mapped the topics customers had identified and that it had chosen for discussion on to the IAP2 framework to indicate the type of engagement it would target for each topic based on customers' ability to influence outcomes. This approach was presented to the Reset Subcommittee.
	Consultation time frames should have regard to the complexity of the issues in the regulatory proposal and provide consumers with adequate time		SAPN's engagement process took place over 18 months. Focused Conversations examined issues in detail and extra meetings were scheduled to ensure sufficient time for discussion and examination of some issues. The extensive meeting schedule made it difficult got some people to be involved. One-on-one briefings were made available where individuals felt they needed more information.
			Feedback from People's Panel was largely positive, but more time was required to properly examine issues despite the Panel being convened for 6.5 days of face to face discussion and deliberation, and Panelists having access to briefing materials online. Some Panelists reflected on a lack of time to review the program overall and write the report on which SAPN has relied.
	Engagement on different aspects of the same issue may require different engagement methods		Issues were discussed in multiple forums and narrowed and distilled throughout the process to facilitate tangible decisions and outcomes. In distilling complex issues to specific choice between scenarios, nuance was sometimes lost. Some CAB members believed that information provided to the People's Panel was oversimplified and not sufficiently nuanced for them to make significant decisions upon which the Regulatory Proposal would be based, although for some groups (i.e. youth) this was appropriate. SAPN made significant effort to ensure independent advice was available.
Consultation on desired outcomes and then inputs	Consumers should guide, and be seen to guide, the development of proposals		SAPN's efforts to hear from a diverse range of customers and understand their experience was commendable. SAPN sought out the views from groups not often heard from including youth, renters, First Nations people, cultural groups, rural and remote customers, and customers with hearing impairments. Some CAB members felt that concerns about affordability did not guide the proposal.
	Networks should consult with their consumers on their desired outcomes and then craft a proposal (including opex and capex) to give effect to those outcomes.		Customers identified issues of importance during the initial customer research survey and through the Broad and Diverse workshops. Customers were able to influence, in some cases, co-design outcomes during the subsequent Focused Conversations that were later used as inputs to the People's Panel. However, some CAB members do not consider the capex and opex proposals were crafted to address significant affordability concerns identified by customers throughout the process.
			Some CAB members felt discussion was narrowed by the presentation of the three prepared scenarios.
	Consultation should focus on long term outcomes (beyond one period)		SAPN discussed the long term ramifications of asset replacement on the network performance and presented information that demonstrated the long term impact of investment decisions on network risk. Some CAB members believe SAPN did not adequately communicate the impact of increases in capex on the RAB, recovery of those costs over 50 years and the consequent impact on future prices.
			At the time of writing, SAPN is in the process of consulting with customers on its Draft Proposal.
			During the Broad and Diverse workshops SAPN heard the lived experience of poor reliability for people living in the regions particularly the Eyre Peninsula. Improvements to worst served customers has been included in SAPN's proposal. SAPN took a different approach with connections and discussed changes it proposes to connection policy with its BAU Connections Working Group rather than as a topic discussed by the People's Panel.

Measure	Attributes	CAB assessment
Multiple channels of engagement	Multiple complementary engagement channels are necessary	SAPN designed a comprehensive program to engage customers, utilising different methods of engagement during the process. In addition, SAPN's CAB was engaged to test and improve the program during its design and during detailed planning for each phase.
	Engage with (end) consumers as well as engaging with consumer representatives	The CAB felt constrained by its agreed terms of reference to review the process of engagement rather than the content of the proposal. The design of the engagement program gave decision rights to a citizens jury style People's Panel. For many CAB members, this decision was problematic because the Panel had limited time in which to understand issues and make decisions about the package overall. Some CAB members thought that the engagement program design stifled the impact of customer representatives and recommend a final review by group of experts and customers.
	A network business should aim to understand, represent and balance the interests of all its consumers cohorts	SAPN sought broad representation of consumers within each phase of the process and on the CAB, and demonstrated in its proposal, the attempts to balance needs of many cohorts of customers, most notably regional customers in terms of reliability. However, some CAB members consider SAPN did not consider the balance of network cost impacts of expenditure programs between solar and non-solar customers other than in context of the solar export tariff.
		Business customer representation was difficult to obtain despite proactive efforts to have business involved. Business SA withdrew from the process in early 2023, and some CAB members thought their engagement was intermittent up to that time, and consider that a stronger business voice may have applied more pressure on costs and led to lower price outcomes for customers.
Consumer's influence on the proposal	Engagement should consider the IAP2 Spectrum of Public Participation	SAPN identified issues where customers could influence outcomes, mapped the engagement topics against the IAP2 framework, and empowered customer decision making through its People's Panel.
	Network businesses and consumers should consult with each other on the range of issues consumers can have influence over	The CAB endorsed the topics SAPN identified for discussion in the Focused Conversation and People's Panel.
		SAPN disclosed there were parts of the regulatory reset where consumers had little to no influence. However, it wasn't until late in the engagement process that SAPN revealed only 8% of network revenue was impacted by customers despite thousands of customer and SAPN staff hours being committed to the process. Many participants questioned whether the time and effort was worth it.
	Issues over which consumers will have more influence should be at the upper (empower) end of the IAP2 spectrum	Through the Focused Conversation on export tariffs, SAPN worked closely with customers on tariff design and when export tariffs would apply. This issue was examined at the People's Panel, albeit with no consensus reached.
	Network businesses should encourage consumers to test assumptions and processes that underpin the proposal	SAPN discussed demand and energy forecasts, EV forecasts, and the future impact of climate change with customers, as well as underlying asset failure rates and causes.
		CAB considers most customer decision making was at the margin and involved programs that were added to existing costs rather than a reprioritisation of existing budgets. Further, it did not engage customers or CAB on underlying assumptions of efficiency, cost escalation, or profitability of the three scenarios it put forward.

# Part 2: The impact of the proposal on customers

SAPN's Draft Proposal sets out in detail how customers have impacted its Draft Proposal. The CAB agrees that SAPN has based its proposal on the recommendations of the People's Panel, but the CAB has concerns about how those recommendations were reached. CAB believes that customers' impact on the proposal was limited by the regulatory framework, narrowed by the choice of topics and to some extent, channelled by SAPN's engagement design choices.

## Customers' key priorities

SAPN took steps to identify customers' key priorities at the start of the engagement process. Affordability was one of four priorities identified by customers at the start of SAPN's engagement program in early 2022. The others priorities identified were to maintain safety and reliability, deliver good service and enable the clean energy transition.

In the last 18 months, affordability concerns have heightened following a significant rise in inflation, 12 interest rate rises and increases in energy costs in the South Australian Default Market Offer. Given the significant change in cost of living pressures now facing customers, CAB considers SAPN should revisit the weight given to affordability issues compared to other priorities.

CAB also notes that high energy prices and the likely return of an El Nino weather pattern has also

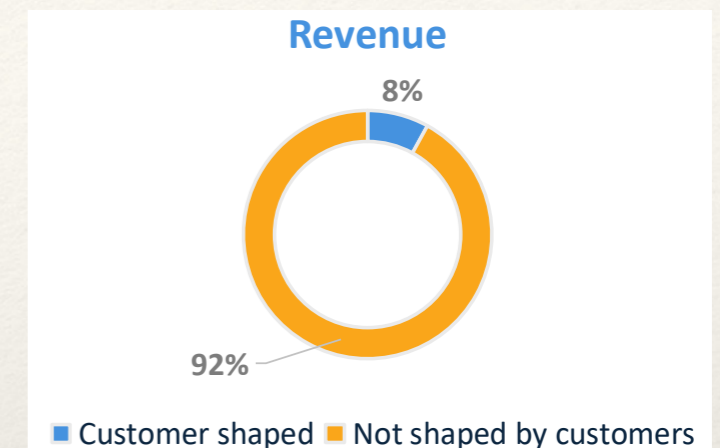
heightened concerns about the impact of climate change which has increased customer's sense of urgency for a transition to a new energy future.

*Members of CAB are concerned that SAPN has not achieved the right balance of customer priorities for reliability, energy transition and affordability.*

## Impact of engagement

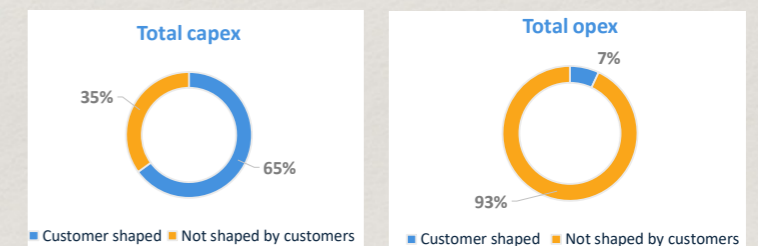
SAPN has invested heavily in its engagement program, thought carefully about its design and has endeavoured to empower customers in developing its proposal. However, despite thousands of hours of engagement, only 8% of proposed revenue has been shaped by customers (as calculated by AER models).

92% of SAPN's revenue for 2025-30 will be determined by AER models that derive WACC, RAB, depreciation, tax allowances, base opex, opex escalation, replacement capex, inflation and incentive payments.



Source: SAPN Presentation provided to CAB, July 2023

SAPN claims that 65% of its capital program has been shaped by customers, but only 7% of opex, focused on step changes, has been discussed.



Source: SAPN Presentation provided to CAB, July 2023

The result is that only 8% of revenue has been impacted by customers for the next period because capex is recovered over the long term and has a relatively small impact on revenues in any one year, unlike opex which is recovered dollar-for-dollar in the year it is spent.

# Price and costs

The revenue impact of engagement for the 2025-30 has been relatively small compared to the effort involved. This has been disheartening for many CAB members who have committed large amounts of time to the process themselves, and seen the hours contributed by other customers in the process, and feel that customers' impact in the process has been at the margin.

## Price outcomes in 2025-30

SAPN forecasts that customer bills will remain steady in the early part of the 2025-30 period and drop in 2028 due to the end of the SA Government's PV FiT (feed-in-tariff) which is currently paid for via a levy added to network prices.

The price impact on individual customers will differ depending on their use of grid sourced energy. SAPN predicts that customers' network bills will remain steady. SAPN's export tariff strategy will see non-solar customer bills fall by \$3 per annum on average in the period, and solar customers pay \$7 more per annum on average but the marginal increase for solar customers should be considered in the context of an estimated \$1,185 savings on annual network charges received by solar customers.\*

The cost-share impacts of SAPN's proposal on customers are of concern to some members. CAB notes that non-solar customers use 50% more energy from the grid than non-solar customers and SAPN's

proposal has proportionately greater impact on non-solar customers. That said, solar households have spent significant funds installing PV and, for some, batteries, and will pay a tariff on exports from 2025.

CAB acknowledges that solar brings benefits to all customers through lower wholesale prices, reductions in greenhouse emissions from electricity generated, and potential improvements in reliability. While consumers experiencing disadvantage or in rental accommodation are not in a position to reduce their energy bills by installing solar, SAPN's 'solar sponge' tariff and low daytime wholesale prices (if passed on by retailers) may help share these benefits, although some customers will continue to find it difficult to change their usage pattern to take advantage of potential savings.

For SA businesses, SAPN forecasts that network bills will remain steady at \$4190 p.a. and then fall in 2028 as a result of the PV feed-in-tariff ending.

## Service reliability will improve (on average):

Reliability of network services is expected to improve for many South Australian customers, particularly those in the CBD and in regional areas. The People's Panel recommended SAPN invest in reliability improvements to ensure CBD targets for reliability were met and that reliability targets are achieved in each network region on average rather than the lower standard of meeting average reliability

performance across SAPN's network. This will be delivered via a significant increase in replacement capex to target assets in poor condition that are most likely to cause supply interruptions, as well as a targeted increase in capacity to meet growing demand for electricity and solar export.

## SAPN proposes large increases in expenditure

SAPN's Draft Proposal includes:

- an increase in revenues of **3%**
- an increase in opex of **17%**
- an increase in capex of **25%**

Substantial increases in expenditure means that network bills will be higher in the period and following periods than they would otherwise be.

The revenue impact of higher capex and higher opex is masked in the 2025-30 period by significant falls in depreciation in the next five years. In addition, the bill impact to customers is further softened by the scheduled removal of the SA Government's FiT, and assumptions of higher energy throughput which reduce the cost per unit.

CAB notes these favourable circumstances enable the increase in SAPN expenditure to be undertaken without the need for substantial increase in costs to customers. If these circumstances were not in place, SAPN's increases in expenditure would have required a significant increase in network prices.

# Reliable Network

## Wide ranging impacts of reliability

Based on SAPN's Draft Proposal, customers will experience an improvement in reliability of services across the network in the 2025-30 period. Reliability was a major concern for customers in regional areas, particularly because of the follow-on impacts of outages on other essential services like water, telecommunications, health services, and the ability of emergency services to respond to disasters.

SAPN has taken on these concerns and not only reflected higher standard of reliability in its Draft Proposal, but has also facilitated multi-agency gatherings to improve coordination and resilience during outages.

The CAB considered this to be an excellent example of SAPN listening to customers and actively promoting customer's interests even when this it is outside its core responsibilities.

## Replacement

SAPN's Scenario 1 included \$152m of replacement expenditure which SAPN argued was not enough to meet South Australian reliability standards.

Scenario 2 added approximately \$60m to meet current standards and maintain bushfire risks. Scenario 3 added a further \$25m to deliver New Value services. The desired outcomes of these scenarios were presented to the various customer forums but baseline costings were not discussed. SAPN calculated that the incremental cost between Scenario 2 and 3 was \$7 p.a. for residential customers and \$55 p.a for business which the People's Panel opted to pay to deliver more efficient investments in future and better reliability for worst effected customers in regional areas.

## Vegetation management

The Focused Conversation recommended undergrounding of powerlines in high bushfire prone areas, but the People's Panel did not support this recommendation after being presented with the costs involved. This change of heart demonstrates the value of having issues considered in multiple forums, and to some extent, the concerns some CAB members had about the potential for Focused Conversations to be dominated by vested interests.

Other recommendations made by the People's Panel have been implemented immediately as they are forecast to result in lower costs of vegetation management in the longer term. It is not clear whether SAPN has reflected these lower costs in its ongoing forecast.

## Security of supply and resilience

Customers supported an upgrade in network capacity to cater for increasing demand expected during heat waves (Scenario 2) and chose Scenario 3 to enhance resilience through use of mobile generation to improve response times to long duration outages in regional areas.

## Cyber security

The People's Panel were passionate about investing in cyber security following major cyber security breaches at Optus and Medibank. While some customers and CAB members argued that shareholders should pay for any investment that delivers services above regulated standards, the Panel approved the \$2.2m uplift of costs for Scenario 3 and this is included in SAPN's proposal.

## Property

Customers also chose Scenario 3 for property because they supported maintaining SAPN's transformer workshop within South Australia. This decision was closely linked to customer concerns about local jobs particularly for apprentices, concerns about supply lines and delays if this capability was lost, and the cost efficiency of refurbishment vis a vis replacement.

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# Customer experience, choice and empowerment

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## Customer education and energy advice

Throughout the engagement process, customers called for more accessible information about the energy industry and assistance to help them make decisions about how to use energy more efficiently and cheaply.

The Focused Conversation recommended SAPN take a lead role and provide a Comprehensive Energy Advisory Service (SAPN, and networks more generally, were seen as more independent than retailers when providing advice). However, following initial support at the People's Panel, the Panel overturned this recommendation because of concerns that such a service did not reflect core business for regulated networks.

SAPN followed this recommendation and has not included an advisory service in its proposal. But the problem remains - who will provide customers with the independent advice they need to make decisions in this complex environment that is the energy transition?

## Personalised and on-demand services

Customers expectations of the way they deal with networks (and businesses in general) has changed.

Customers expect to find the information they need online, to trouble shoot using digital resources and to receive fast a response from businesses when needed. However, customers still want to talk to a real person to resolve complex issues.

The Focused Conversation recommended Scenario 3 for a significant up-lift in digital capability and customer interface, but there was no consensus at the People's Panel, partly due to costs involved which were forecast to be ~\$77m over the 2025-30 period.

SAPN has proposed what it calls a more modest program to replace and consolidate its customer systems, which is expected to improve information available to customers.

## Customer service measures and incentives

SAPN proposes changes to the existing Customer Service Incentive Scheme (CSIS) to reflect the way that customers obtain information and contact distributors.

The CSIS was not the subject of Focused Conversation or deliberated at the People's Panel but SAPN has consulted with its BAU Customer Reference group and the CAB in regard to future measures.

The CAB supports SAPN's proposal to measure things that are tangible rather than subjective. CAB supports measuring the proportion of customer enquiries resolved at the first contact, and the timeliness of outage information being made available including recovery progress updates.

## Connections policy

SAPN is proposing changes to its Connection Policy to lower upfront costs of flexible connections and offer new options for connections based on a customer's capacity and load/export flexibility in response to the increasing demands of a two-way network due to customer uptake of DER.

The changes were not subject to Focused Conversation or People's Panel deliberations, but have been discussed with SAPN's Connections Working group in detail as part of SAPN's BAU engagement. The CAB is comfortable with SAPN's proposed changes.

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# Enabling clean energy

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## Enabling export capacity

Customers were committed to ensuring customers with solar could export excess energy to the grid and that energy export should not be curtailed unnecessarily, nor differ materially based on location. Customers were conscious that more solar on the network had environmental benefits but understood that unconstrained export to the grid had potential to destabilise the grid and lead to outages without further investment. The People's Panel supported the recommendation from the Focused Conversation for Scenario 3 at a cost of \$100m over the period.

As mentioned earlier in this report, some members of the CAB were concerned that there was confusion among Panelists about the issues of solar export tariffs and investment to facilitate solar export. Despite the significant cost, the price impact to customers is ameliorated due to capex investment being paid for over a long period, and that the Panel decided to charge solar customers more than non-solar customers to recover the costs of this investment, which SAPN has reflected in its proposal.

## Encouraging flexible loads

The People's Panel also supported investment to facilitate more flexible loads through tariff incentives, dynamic operating envelopes and flexible connection options for customers. The Panel opted for Scenario 3 which involved making information and data available to other market players to enable better optimisation of network and generation assets, and lower costs in future.

The difference in cost between Scenarios 2 and 3 was \$1m per annum and the price difference between the two, only 10cents, which could be argued makes it hard to separate the two options. Nevertheless, SAPN has reflected customers' recommendation in its proposal.

## Transitioning fleet to EV

The People's Panel supported the recommendation of the Focused Conversation for a cost neutral transition of vehicles to EVs and this is reflected in SAPN's draft proposal.

# Affordable and equitable energy supply

Customers were very concerned about affordability throughout the engagement process, but some CAB members consider affordability was given less weight over the course of the engagement process, despite cost of living pressures worsening during that time. For some CAB members, the large uplifts in costs recommended by the People's Panel do not reflect a balancing of customer preferences, but rather, problems with the engagement process itself that channeled choice to cost positive options and did not provide sufficient time or opportunity to reflect on the outcomes as a whole. Other members of the CAB are less critical and are satisfied that additional costs, although regrettable, have been justified by SAPN and its external experts.

## Customers' Decision Criteria

The criteria for dismissing projects differed between programs and between customer groups.

Customers did not agree to programs designed to support vulnerable customers because they were concerned about adding costs and cognisant that some programs were outside SAPN's core responsibilities. Energy bills are largely regressive and costs are disproportionately paid by low income customers as a percentage of income compared to customers with average incomes. Customers agreed that network expenditure must be 'prudent and efficient' and confined to the safe and reliable delivery of networks services to customers at least cost. The costs of service outside of networks services were seen as more fairly recovered through taxation revenue which is more progressive in nature.

Of the \$23m program, only \$0.5m was approved for the 'Knock before you disconnect' program.

In contrast, a different subset of customers at the People's Panel supported a \$235m investment to increase replacement of assets, improve regional reliability and lower bushfire risks.

Several factors may have influenced this outcome.

Different customer subsets reviewed the programs in detail at the People's Panel. Had the customers who reviewed the vulnerable customer programs also reviewed the reliability and bushfire programs, the proposed investments may not have been supported in full. Unfortunately, the process did not allow time for this to be tested. The detail of topics was discussed in smaller groups which were at times potentially dominated by vested interests, particularly during the Focused Conversation stage which informed the recommendations for the People's Panel.

Many of the programs aimed at addressing affordability and equity were not as well defined as other engineering based programs, making it harder for participants to pin down the benefits.

The programs were opex based, which has a larger impact on price than an equivalent capex based program. But programs, whether they be funded through opex or capex, must be paid for, and if not by today's customers, by generations of customers to come.

The presentation of the price impact of programs must be very carefully presented. It may not be enough to show the annual cost impact because customers also need to understand the long term impacts of these decisions.

Some CAB members are concerned that the long term impacts of decisions made at the People's Panel were not well understood.

## Out of scope

Many issues discussed in this topic were outside of the scope of SAPN's core business. The CAB commends SAPN for facilitating the conversation, but considers the outcomes that resulted from this process to be minimal.

SAPN has committed to advocating for solar services being made available for renters, and changes being made to the SA Government's Claims and Damages scheme. SAPN is also pursuing a rule change to sharpen the definition of Life Support Customers to ensure customers that need higher levels of reliability receive it.

Participants in the Focused Conversations and the People's Panel were divided in their support for programs to help vulnerable customers because of debate about who has responsibility to support them. The CAB believes the debate reflected the gaps that exist between business and government responsibilities that vulnerable customers fall through rather than a lack of compassion or desire to support vulnerable members of the South Australian community.



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# Affordable and equitable energy supply

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## Actions not aligned to commitment to vulnerable customers

SAPN did not take on the recommendation of the People's Panel when it recommended that SAPN jointly fund (50:50) a Vulnerable Customer Assistance Program with customers at a total cost of \$0.5m per annum (or \$250,000 to SAPN).

SAPN has not included the Assistance program in its draft regulatory proposal saying it has not been able to make a business case to support it. The CAB are disappointed with this decision as the dollars involved are very small (equivalent to the cost of one FTE) but the outcomes could have material benefits for SAPN's most vulnerable customers.

Some CAB members see this decision as undermining SAPN's stated concern for vulnerable customers and inconsistent with it becoming a full signatory to the Energy Charter which is committed to improving energy affordability for customers (Principle 2) and supporting customers facing vulnerable circumstances (Principle 5).

CAB notes SAPN says it will investigate redirecting existing philanthropic funds to improve energy efficiency for vulnerable customers, but the CAB would like to see SAPN reconsider its stance and commit to fund this program.

# Long term impact

## Outcomes for future periods

The significant increases in expenditure in both opex and capex in the 2025-30 period to manage reliability, safety and cyber risks will result in higher base opex costs in future periods, and SAPN's RAB will increase by 2030 lead to higher baseline costs for customers.

Customers can be satisfied that SAPN's programs are forecast to deliver improvements in reliability and reduction in safety risks for customers, but CAB is concerned that customers do not understand the ongoing impacts investments have on RAB and the ramifications for future periods. This is important because decisions made today have an ongoing legacy for future generations.

The fact that network costs remain high and will rise in future despite customer's concerns about affordability of energy is disappointing.

## Efficiency

The CAB believes there has been no assessment of efficiency during the engagement process and is concerned that the AER does not rely on a well run engagement program to give it comfort that the investment proposals are efficient. The CAB, like all customers, is reliant on the AER to thoroughly review SAPN's investment program to ensure new

programs are not over-scoped or over-costed and the baseline costs are an efficient starting point.

CAB considers the lack of engagement on efficiency to be a lost opportunity for SAPN to build trust with customers by demonstrating how they are getting improved value for money.

## Productivity

SAPN discussed productivity improvements in the context of seeking customers' endorsement of additional expenditure in IT systems to deliver future efficiency improvements. The program called 'Assets and Work' was endorsed by the People's Panel at a cost of \$11.5m of opex and \$35m in capex over the 5 year period (forecast to be offset by \$30m in capex efficiency savings). The net impact is that customers pay \$11.5m for efficiency improvements that won't deliver net benefits to customers until post 2030.

CAB is concerned that customers, rather than SAPN shareholders are paying for future efficiency improvements with limited short term benefits, and that shareholders, rather than customers, will earn a profit on this investment in the short and long term.

## Profitability

Some Reset Subcommittee members were concerned that SAPN had earned very high profits in previous years due to high allowances, and under-delivery of past programs, but felt powerless to fully examine these issues due to the difficulty in reviewing publicly available RIN data.

These members found it difficult to reconcile a lack of disclosure of financial data and profitability with an engagement program designed to ascertain how much customers were willing to pay for services, arguing that if a regulated monopoly business was earning profits much higher than a competitive businesses of similar size and risk, it would be reasonable for customers to expect service improvements without an increase in prices.

Some members of the Reset Subcommittee thought the cost positive investments put forward ensured the regulated asset base (RAB) on which shareholders earn a return would increase during the period. While this outcome may be the inevitable outcome of the regulatory framework, it has resulted in some scepticism about the value of the engagement process overall and the effectiveness of the regulatory framework itself.

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# Limitations on engagement

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## Information, narrative and independence

Not all current CAB members had joined the CAB at the time when the engagement program had been agreed, but there was genuine engagement between CAB and SAPN about how the process would work, the collateral that would be provided to participants, and the questions that would be put to the various forums.

The electricity industry is very technical and a lot of pre-briefing of participants was required. SAPN went to great lengths to help participants learn about the industry so they were equipped to comment on issues, but it is difficult not to inform the narrative through the process.

15 independent stakeholders were invited to present to the People's Panel and independent reports were made available to Focus Conversations on property and asset replacement, but a lot of information was developed by SAPN staff.

The CAB was pleased with the amount and quality of information provided, but some members wished they had access to an independent expert throughout the process who could confirm the veracity of information and put forward an alternate view for the CAB to consider. An on-call expert could help address the information asymmetry that exists between networks and their community committees in future processes.

## Scope impacted by its design

The majority of CAB members were satisfied with the engagement process, but some CAB members were felt the design limited the scope in which the CAB and customers could contribute.

Topics for discussion were chosen based on the extent to which customers could influence them and scenarios prepared to present customers with tangible options, but some CAB members thought the pre-prepared scenarios narrowed discussions too much and limited customers' choices to cost positive options.

Some CAB members thought the way SAPN presented information directed the outcomes and that SAPN's approach was one of 'how much are you willing to pay' without providing sufficient context. This was of particular concern to some CAB members in the Broad and Diverse workshops and People's Panel where participants had little or no involvement with the electricity industry beforehand and limited time to understand complex and interwoven subjects.

Narrowing of choices up front may have facilitated an outcome from the process, but some CAB members thought it narrowed the impact that customers had on the proposal. Further, they thought that presenting baseline costs without an opportunity to question them ensured engagement impacts were at the margin.

## Design limited impact of customer advocates and CAB

SAPN was genuine in its desire to hear from members of the South Australian public and designed its engagement program to target customers who are not often heard. However, in its attempt to democratise decision making and give everyday customers decision rights through the People's Panel, some CAB members felt the process blocked the robust engagement with informed customers and customer advocates to negotiate aspects of the proposal.

A majority of the CAB felt constrained by the narrow role it played, and despite the hours expended, were disappointed by the limited impact it had on the final outcome. Having experienced the limitations agreed to in its terms of reference, many CAB members would not agree to have their role limited in this way in future.

## Role of Consumer Challenge Panel

Some CAB members noted the change in the role of the AER's Consumer Challenge Panel (CCP) since last reset and missed the experience that Panel members provided to the process as a result of their their knowledge of the regulatory framework and associated guidelines, business models, risk appetites and their experience with reset processes in other jurisdictions.

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# Limitations on engagement

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## Testing the baseline rather than the margin

CAB members with advanced financial, engineering, business, policy and financial skills found SAPN's consultation on investments at the margin to be frustrating and they longed to be given information to test the baseline costs.

*One CAB member said the experience was like being a dog on a lead. He enjoyed the walk but was curious about what lay beyond the bounds of what the CAB was able to explore.*

The CAB and Reset Subcommittee agreed not to review SAPN's costs when negotiating its terms of reference, and chose to rely on the AER's formal review of costs once SAPN's proposal is submitted. In hindsight, a majority of CAB members agree a review of the baseline and recurrent expenditure during the proposal development phase would have produced a more satisfying process and some believe it would have led to lower forecast costs.

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# Part 3: Engagement challenges

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## Engaging customers on network issues is difficult

Networks have limited avenues to interact directly with customers outside of connections, changes to existing connections, disconnections and outages. Retailers have the billing relationship, which leads to customer confusion about who is responsible for energy services.

The essential nature of electricity services, the (generally) high levels of reliability and the hidden nature of assets (substations, underground cables) all make distribution services a difficult topic on which to engage customers. A reliable electricity service is a critical service for many (ie expected and not actively thought about). The complexity of the industry, including the different roles and responsibilities of players in the market are hard to understand, and customers require a base level of understanding of the market before they can make informed choices between network investment options.

SAPN made significant efforts to engage South Australian customers in its engagement program and particularly in the People's Panel. But despite paying customers for their participation and subsidising their travel and accommodation costs,

the CAB noted the People's Panel suffered significant attrition at critical decision making times, and several of the Broad and Diverse workshops as well as some Focused Conversations were poorly attended.

## Customer influence and trust

The NER stipulates models the AER must use to generate revenue allowances including WACC formula, and asset base roll forward approaches. Together, these two components comprise circa 70% of the revenues for the following 5-year period, leaving only 30% of the future revenues able to be influenced by customers or others. Of this 30%, the repeated nature of annual opex expenditure means this is even smaller, particularly where engagement is limited to 'step-changes'.

It is difficult to reconcile the AER's requirement for engagement when the bulk of what customers pay for is 'out of scope'. While customers cannot mimic the review of investment decisions that the AER undertakes, it is reasonable that customers have confidence in decision making that comprises the bulk of the cost.

SAPN, in consultation with CAB, focused its engagement on topics on which customers could have higher degrees of influence. While this

decision is reasonable, not discussing other topics in detail resulted in scepticism among some stakeholders about the regulatory framework and the efficiency of networks.

Trust is difficult to build in the context of a reset because the network is ultimately seeking customers' support for its expenditure decisions, which is more likely when expenditure reflects customers' priorities. However, the context of the reset increases the stakes because networks earn returns on investments they make, and customers have to pay for them through prices.

Trust is key to good engagement, and the CAB considers trust easier to build in BAU settings where there is more time to understand issues and explore options and less pressure to come to decisions.

The CAB recommends that businesses invest in their BAU engagement programs to build relationships, explore issues outside the reset including cost and risk issues so that when preparation for a reset begins, customer committees like CAB have confidence in the business, its motivations, its efficiency and the information it provides.

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# Part 3: Engagement challenges

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## What customers should pay for and what businesses should pay for

SAPN's engagement process sought the endorsement of customers for expenditure programs, but there were several occasions where the issue of 'who should pay?' emerged.

In relation to cyber security, SAPN included the People Panel's preference for Scenario 3 in its draft proposal but there were some customers and CAB/Reset Subcommittee members who believe that customers should only pay for required industry standards of cyber security, and that any investment above minimum standards should be paid for by the business as part of its own balancing of risk.

In relation to investment in business efficiency, SAPN asked customers to endorse IT system upgrades that will allow it to deliver more efficient services in future. This is problematic for some CAB members because it asked customers to pay for investment that in their view could benefit shareholders in the short term through outperformance of allowances and in the long term through returns on investment. Again, the comparison to decisions made by competitive businesses were raised and not all CAB members were satisfied that the regulatory framework provided good outcomes.

## Engaging business customers

SAPN worked with BusinessSA at the start of the process to ensure the voice of small and medium sized business was represented in the process. Unfortunately, few business people, other than those in adjacent businesses, spared the time to be involved in the process.

BusinessSA withdrew from the engagement process in early 2023 after the People's Panel due to a lack of resourcing and some CAB members thought their engagement to that point was intermittent.

While there were 14 people in the People's Panel who were small business owners, the withdrawal of BusinessSA meant a high level and strategic voice for business customers was largely absent from the process, particularly as cost forecasts were finalised.

A large business representative was included on the CAB. However, some CAB members were concerned that the voice of a large number of mid-sized businesses (>160MW) who pay large energy bills was not well represented in the process.

The absence of a stronger business voice was significant when SAPN sought support for investments that a competitive business would typically make on the basis of risk, like cyber or efficiency.

Some CAB members believe that a stronger business voice would have added extra downward pressure on costs, and that without it, SAPN's capex and opex forecasts are higher as a result.

Regardless, a new approach is needed to engage business customers. Business people, particularly those in small and medium business have limited time to spend away from their businesses, and networks need to work out how to leverage the small windows of opportunity that do exist.

Networks have realised they need to support residential customers to participate in engagement by covering costs of travel, accommodation and child care where needed. Now networks must develop mechanisms to overcome barriers for business customers. Partnering with business associations as hosts or event sponsors may help networks gain better access to business customers. Engagement with business customers remains an ongoing challenge.

# Part 3: Engagement challenges

## Genuine choices

There is a balance between providing pre-prepared scenarios and providing customers with choice, particularly if one or more scenarios represent non-compliant or unacceptable choices.

Providing less structure around available choices may make a process more difficult to manage but in this case, could have led to greater scope of engagement and a more satisfying outcome for some stakeholders and participants if the process felt less managed.

## Time commitment

Thousands of hours were spent by both SAPN staff and customers, including the CAB in this engagement process.

All CAB members believe that the time commitment required by the process was far greater than they envisaged when they joined. While many enjoyed the process and would be involved again, an equal number would refuse due to the time commitment required.

CAB members consider that the engagement process conducted by SAPN was at the limit of what could reasonably be expected of SAPN staff and customer volunteers, particularly given the relatively small real impact the process had on prices.

CAB members and other stakeholders who worked full-time or part-time or had other responsibilities, such as working families, found the time commitment particularly difficult to manage.

## Role of CAB

SAPN was clear that the Reset Subcommittee, a subcommittee of CAB, was an 'engagement partner' whose role was to advise on the engagement process rather than the *content* of its proposal. This led to two issues:

1) It was a challenge for SAPN and CAB to keep to the terms of reference because the engagement process led to outcomes, which drove costs that underpinned prices. The links between process and outcomes made the dividing line between what was in or out of scope of the terms of reference difficult to distinguish at times. An example was that SAPN provided the Reset Subcommittee with costings at each meeting but did not engage on how the costings were derived. Some members observed a lack of consistency when the CAB or Reset Subcommittee was used as a reference point to 'pass the pub test' but on other issues was not engaged at all. A change to terms of reference could make the role of CAB more consistent in future.

2) SAPN did not leverage the expertise within the CAB

and Reset Subcommittee as well as it does in BAU. SAPN has a record of working with stakeholders to produce robust policies and programs (i.e. vegetation management) and has benefited from the professional expertise of customer advisors.

The Reset Subcommittee pushed for CAB and Reset Subcommittee members to be more active participants in the Focused Conversations which proved valuable to the process.

CAB suggests the expertise and diversity among its members together with experts from the Focused Conversations could help SAPN reassess the final balance of customer priorities and better reflect the overarching concern about energy affordability, particularly in the context of cost of living pressures which have increased since the engagement took place.

## CAB and SAPN Board

CAB has not met with SAPN's board to date, but believes it could provide an ongoing role as an external customer lens for the business.

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# Part 3: Engagement challenges

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## Early Signal Pathway

The Early Signal Pathway is made available to businesses who meet certain criteria and reflect customers priorities and preferences in their proposal. It results in a more targeted review by AER but requires very good engagement with customers up front.

SAPN has been approved for an Early Signal Pathway, and has engaged with the AER in parallel to its engagement process. The AER has been invited to observe parts of the engagement process and attend CAB meetings.

The early involvement provides the AER with an opportunity to see how engagement is going, but visibility of the SAPN/AER discussions has been more limited. CAB representatives have been invited to attend some SAPN/AER meetings, but some CAB members have felt uneasy that a high quality engagement program may dampen the AER's interest in detailed cost scrutiny.

The AER met with CAB to hear these concerns in August 2023 and provided assurances that it will review SAPN's costs in detail. This has allayed some concerns for CAB members, but for some customers involved in the process, concerns remain.

## Intangible benefits of customer engagement

Good engagement adds transparency to any process, because it forces a level of rigour and openness to explain decisions to stakeholders.

Engagement with customers has cultural benefits for the business. Hearing the voice of the customer, particularly vulnerable and rural customers, informs staff about the impact of what they do (disconnection, long recovery times, impact on essential services), and the real life costs their work imposes. It gives tangible meaning and value to efficient delivery of work.

Engagement increases understanding of the energy industry in the community and can have longer lasting impacts if information is available on websites for future customers. The positive experience of SAPN's engagement process has triggered participants to become more involved in community consultation both within and outside the industry (i.e. with local councils).

The challenge is to make engagement worth the effort. SAPN's engagement process has been largely successful, and SAPN will be able to take many positive experiences from this process and the lessons learned will enable them to create an even more successful engagement process in future.

## Building CAB capacity across jurisdictions

Considerable effort is spent helping members of Community Advisory Boards and Consultative Committees understand the complexities of the regulatory framework and the energy market. As board/committee members refresh, new members need induction. This process is replicated across jurisdictions with much of the content being the same.

SAPN's CAB members are keen to leverage the excellent materials and resources that have been produced during SAPN's process and share insights gained during the process with other community boards. It would not only contribute to a bank of resources available to customers and their advocates across the NEM, but it could facilitate discussions between advisory boards about their findings and concerns.

Just as members of the AER's Consumer Challenge Panel leverage their experience across multiple jurisdictions, CAB is keen to learn from the experience and insights of other Community Boards. Such a process could avoid a sense of 'pioneering' and 'reinventing the wheel' in each process and it would provide CAB members with counterparts outside their jurisdiction who could provide shared experience or sense check information.



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# Part 3: Engagement challenges

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## AER engagement criteria

The AER's engagement criteria is deliberately non-prescriptive to enable businesses to design engagement processes as they see fit. Having made an assessment of SAPN's engagement process against the AER's criteria, some CAB members are concerned that the AER attributes of engagement may not capture all the aspects of a successful engagement process. Some CAB members are concerned that the criteria allow a business to perform well in terms of process design, but fall short in reflecting customers priorities in the proposal itself.

The CAB sees benefit in a review of the AER's engagement criteria to ensure that it gives weight to the outcomes of the engagement process as well as the process itself.

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# Part 3: Issues outside the reset

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## Other issues:

There were several issues raised by customers that did not fit in to the regulatory reset but which are important to customers' energy experience. The fact they were raised with SAPN demonstrates:

- A lack of customers' understanding of roles and responsibilities within the energy market;
- A lack of opportunity to raise these issues in other forums;
- The complexity of the market and market rules;
- The gaps between government and private sector responsibilities.

## Independent advice

Through SAPN's engagement process, customers consistently called for more information and better education about the energy industry. Many saw SAPN as a future source of independent advice but others thought advice of this kind strayed outside the bounds of SAPN's core business and subsequent bill impacts.

Customers have a high degree of mistrust of businesses who have vested interests such as retailers, many of whom own generation assets, and businesses that sell energy equipment like solar panels, batteries, and home energy management systems. Customers are sceptical about information provided and confused about whether investments will payoff.

The rapidly changing environment of the energy transition is making customers' understanding of options and choices more difficult. A decision to invest in gas household appliances five years ago now seems unwise.

Easy access to affordable and independent advice on energy issues is required, particularly about how to reduce energy costs and optimise behind-the-meter investments. There is a private market for advice, but it is not always affordable, particularly for vulnerable customers. In addition, renters are generally excluded from accessing behind-the-meter technology that could help them manage their bills.

Solar for Renters as well as an Energy Advisory Service was discussed by the People's Panel, but ultimately not supported due to being out of scope for SAPN.

CAB notes SAPN has recognised that it has an advocacy role to play to governments and within the energy industry sector for sensible public policy measures that improve the affordability of energy. CAB hopes that SAPN will see that providing a minimum level of advice for vulnerable customers is part of its role and should be incorporated as part of the essential service that electricity distributors provide.

## Smart Meters

As the energy market transitions, the flexibility of demand and supply has become more important to manage grid stability and equity outcomes. Smart meters are a key piece of the puzzle that enable customers to control the cost of their usage and participation in the market. Customers called for more education about the value of smart meters and more attention to supply chain constraints to facilitate customer's access to smart meters.

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# Part 3: Issues outside the reset

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## Electric Vehicles (EV)

During the engagement process, customers called for more EV charging stations as a way of reducing the number of people charging at home during the evening peak. Customers understood the impact that EVs can have on the grid and supported policy settings that promoted EVs charging and utilisation in a way that improved energy efficiency and costs to customers.

## Energy bills

Customers called for clearer and itemised energy bills to help them understand how their energy consumption behaviour impacts costs.

An ability to see what is driving costs (i.e. network costs, energy costs or government levies) will help customers become accountable for actions that impact their bills, and empower them to make decisions that will save them money.

## Retailer pass through of network costs

The current market design gives retailers the responsibility to bill customers and allows retailers to package prices as they see fit. There is no transparent pass through of network prices or other components (government levies, metering, etc). This is problematic as it is hard for customers to see what is causing their bills to rise or fall, or what they might do to mitigate against future increases. Further, when component costs go down, there is no mechanism other than competition to ensure those savings are passed on to consumers.

In competitive markets, prices are often said to be 'sticky' downwards, meaning that it takes longer for a fall in costs to be reflected in prices compared to a rise in costs which is generally passed on more quickly. The energy retail market is dominated by large retailers who own their own generators and have a degree of market power, and as a result, it is reasonable to expect that prices would stay higher for longer than in a more competitive setting.

A clearer representation on customers bills of the cost of energy and the cost of network services could improve customer's understanding of the market and empower them to take greater control of their energy costs.

These are not new issues, but issues the CAB believe are important to raise.

# Customer empowerment

## Is AER expecting too much of customers given their impact?

Networks have been financially disadvantaged in reset processes where engagement programs have fallen short of the AER's expectations. The Better Regulation Handbook provides some guidance about what the AER expects, but does not prescribe the type of engagement networks should undertake. However, it does outline how engagement should be assessed.

Networks continue to learn from the success of their peers in other jurisdictions and from their own experience. As a result, engagement programs have grown more sophisticated, more time consuming and more expensive over time. The scope for customers to impact revenue proposals has not changed significantly, yet there are many aspects of business operations outside the regulatory process or at the margin, that can benefit from customer engagement and insights.

Engagement professionals, networks and customers would all benefit from more guidance from the AER about how much engagement is sufficient.

Engagement that is meaningful is preferable to engagement that is extensive, and networks need to be able to target engagement without feeling at risk of not having consulted enough.

CAB members also call for the AER to engage its own engagement professionals to improve its processes so they become more accessible to customers who want to become involved.

## How is SAPN 'empowering its customers' through this proposal?

SAPN has enabled customers to influence its priorities and can track issues raised by customers at the beginning of the process right through to tangible investment programs in its draft proposal designed to deliver service improvements.

If SAPN delivers its proposal:

- Solar customers will face less restrictions to export their excess power than they would have otherwise, but solar customers will pay for more of the upgrade in capacity than non-solar customers.
- Most customers will experience improvements in reliability, particularly those in areas with poorest reliability, as well as better restoration times when outages do occur.
- Customers will have better access to outage information and better quality information when they contact SAPN.

- Customers can be confident that SAPN's network is facilitating the energy transition and that it is managing the risks of ageing assets, creating a more resilient network and better protected its systems against cyber threats.

However, customers will not see tangible improvements to the affordability of their energy supply, nor will there be a marked change to information available to customers from an independent source to help them make informed decisions. This must be addressed by SAPN and the wider energy sector.

SAPN's use of the People's Panel to determine whether programs were included or excluded from the regulatory proposal was commendable, but the bulk of revenue was pre-determined by SAPN and AER.

CAB has outlined its observations of SAPN's engagement process and believes there is sufficient time for SAPN to review its proposal to better reflect customer's overarching priority of affordability.

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# Next steps for SAPN Engagement

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## Recommended next steps

1. Review price/service balance and increase the weight given to affordability to better reflect worsening cost of living circumstances faced by customers.
2. Provide an opportunity for customers, or their representatives to review the investment program as a whole. Responses to SAPN's draft proposal may be part of this process.
3. Engage with customers on productivity and efficiency issues to build trust with CAB and customers in future.
4. Actively seek business sector engagement on the draft proposal and in future processes. An experienced business voice may have added more pressure to SAPN's cost forecasts, enhanced discussion about prioritisation of investment, and added rigour to the process.
5. Conduct a review of the engagement process and build future programs on lessons to be learned.
6. Reconsider the role of CAB and Reset Subcommittee during the remainder of the 2025-30 engagement process as more than an 'engagement partner', and allow CAB to contribute with other experts in the rebalancing of proposed investments and affordability. This will make for a more satisfying outcome of the current process and a more satisfying role in future.
7. Continue engagement as BAU and continue to build relationships with customers and key stakeholders to develop good quality policy and improved service delivery for the future.
8. Strengthen efforts to reflect the diversity of the South Australian community in BAU engagement.
9. Liaise with Local, State, and Federal agencies as well as market agencies and participants to improve customer outcomes through accessible and independent advice to customers and improved affordability, particularly for the most vulnerable customers within society.
10. Consider how the vast amount of resources developed for this process might be leveraged and shared across the industry, with the AER and with other Community Advisory Boards.

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# Attachment A: References and interviews

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## Documents/materials reviewed in the course of this engagement:

CCP 30 SAPN Preliminary Report, May 2023  
AER Better Regulation Handbook, Dec 2021  
AER Annual Benchmarking Report 2022  
IAP2 Spectrum of Public Participation,  
SAPN Draft Proposal Part A & Part B, July 2023  
SAPN Draft Proposal Launch, 2023  
Empowering Customer Experience Transition Research Report, Forethought, 2021  
Marsden Jacobs Customer Values Research Survey, 2021  
Broad & Diverse Workshops Report - Think Human, 2021  
SAPN People Panel Strategy - Overview, 2022  
SAPN People's Panel Final Reports - 1) Balancing Service and Price, and 2) Export Tariffs, People's Panel, 2023  
SAPN People's Panel Survey results - DemocracyCo, 2023  
SAPN Customer Shaped Portion of Draft Proposal - SAPN, 2023  
Focused Conversations - Repex (all materials), 2022  
Focused Conversations - Tariffs (various), 2022  
Talking Power Website (talkingpower.com.au), 2023  
South Australian Energy Prices, St Vincent de Paul Society, July 2023  
SAPN Community Advisory Board (draft) Terms of Reference, 2022  
SAPN Reset Subcommittee Terms of Reference, 2022

## List of interviewees:

Jessie Byrne, Chair CAB  
Kelvin Trimper AM, Deputy Chair CAB  
Michael Leane, CAB member  
Doug Strain, CAB member  
Chris Marsden, CAB member  
Matthew Curnow, CAB member  
Andrew Stock, CAB member  
Penelope Ryall, CAB member  
Georgina Morris, CAB member  
Susan Chase AM, CAB member  
Song (Jason) Huang, CAB member  
Peter Scott, CAB member  
Andrew Nance, Independent Expert and previous CAB Chair  
Dan Popping, Head of Stakeholder Engagement, SAPN  
Alexandra Lewis, Reset Engagement Manager, SAPN  
Mel Lambert, Think Human

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# Attachment B: CAB members

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## **CAB Members:**

Jessie Byrne, Independent representative and Chair  
Kelvin Trimper AM, Deputy Chair, Kelvin Trimper Consulting  
Michael Leane, Independent representative  
Doug Strain, Independent representative  
Chris Marsden (from June 2023), Independent representative  
Matthew Curnow, Sustainable Saving  
Andrew Stock, Climate Change Council  
Amber Brock-Fabel, Student and Independent representative  
Penelope Ryall, Bluescope  
Georgina Morris, SACOSS  
Katrina Mitchell, Councillor, City of Port Adelaide Enfield  
Davis Veremu, Osmoflo  
Jenny Paradiso, SunTrix  
Susan Chase AM, Independent representative  
Song (Jason) Huang, C&J Accountants  
Peter Scott, Eyre Peninsula LGA  
David Russell, AGL (from July 2023)

## **Reset Subcommittee Members:**

Kelvin Trimper AM, Chair of Reset Subcommittee  
Jessie Byrne, Deputy Chair of Reset Subcommittee  
Michael Leane, Independent representative  
Doug Strain, Independent representative  
Chris Marsden, Independent representative  
Andrew Stock, Climate Change Council  
Georgina Morris, SACOSS  
Davis Veremu, Osmoflo

# Attachment C: CAB Terms of Reference

A summary of key elements of governance and the terms of reference for CAB and the Reset Subcommittee are outlined below.

## CAB Terms of Reference

The provides a forum for South Australia representatives groups and consumers to engage with SA Power Networks on priority issues and topics. It is the flagship group that is involved in strategic decision-making on many aspects of the business whose objectives are to:

- provide a forum for listening, discussion and collaborative engagement with customers and stakeholders;
- ensure interests of customers are considered in decision making;
- ensure alignment with customer priorities;
- advocate for the needs and priorities of customers;
- drive co-design with customers of services, products and processes;
- Build understanding and trust between stakeholders and SAPN, operate with trust and respect and seek consensus and mutual understanding where possible.

In its role, the CAB is commissioned to focus on strategic issues and be 'future thinking', develop a list of priorities topics and issues for engagement, and respond to issues identified by SAPN for discussion

and community engagement, and identify areas for additional customer engagement activities.

Chair of CAB will report to SAPN ELT to ensure voice of customers is heard at senior levels of the business and to build relationships.

Subcommittees may be set up as required by CAB to look at issues in detail. Subcommittees will be chaired by CAB member and will report back to the CAB.

CAB members are expected to nominate to be part of one or more reference or working groups set up by SAPN to discuss various topics to support the CAB. Reference groups are strategic in nature whereas working groups are designed to tackle a specific issue. CAB Chair / Deputy Chair has observer status on all reference/working groups and Subcommittees.

The CAB Chair assists in agenda setting, chairs meetings, works with SAPN to identify topics for discussion, helps build consensus, acts as a spokesperson and provides briefings to SAPN's Executive Leadership Team.

Members of CAB are appointed for a 2 year term with option of continuing for further term(s)

CAB meets most months either in person or online. Additional meetings are convened for specific topics as needed.

## Reset Subcommittee Terms of Reference

The purpose of the Reset Subcommittee is to provide strategic guidance and advice on SA Power Networks'

engagement process to ensure high quality engagement outcomes and customer insights that shape the Regulatory Proposal.

The Reset Subcommittee is not a 'customer forum' whose role is to negotiate with SAPN on specific plans r expenditure proposals. It is a group designed to provided advice and guidance regarding the engagement process to ensure the CAB and other stakeholders have confidence in the quality of the engagement outcomes, specifically to:

- Advise and endorse People's Panel strategy and selection of external facilitator
- Develop engagement principles
- Evaluate engagement process
- Reflect back about whether SAPN has responded to engagement outcomes and customer priorities and reflected them in the Regulatory Proposal
- Make recommendations for endorsement for the CAB where appropriate

Reset CAB meets monthly during development of the regulatory proposal.

CAB and Reset Subcommittee members are remunerated for their involvement. CAB members participating in Subcommittees will be remunerated for six Subcommittee meetings per annum.



SA Power Networks' Community Advisory Board  
Dr Jessie Byrne, Chair  
Jessie.byrne1@outlook.com

31 October 2023

Dear CAB members,

Thank you once again for your ongoing and comprehensive involvement in the development of SA Power Networks 2025 - 2030 Regulatory Proposal and the critical role CAB has played throughout our engagement process.

Your input into our engagement process has been valued by both SA Power Networks and the broader community and we have appreciated your continued support and acknowledge the extensive time commitment this has involved.

Thank you for the summary and recommendations provided, dated September 2023 which are marked 'draft' and have been provided in good faith to allow SA Power Networks to consider how the CAB's report may shape our final proposal.

Given that you have provided these recommendations in good faith, we consider it appropriate to respond. We acknowledge all the issues you raise and generally support your recommendations, although our views differ on some matters.

1. ***Review price/service balance and increase the weight given to affordability to better reflect worsening cost of living circumstances faced by customers.***

**Not supported.** We acknowledge current cost of living pressures are taking their toll on many households. Electricity affordability remains a key focus for SA Power Networks, and we will continue to look for every opportunity to reduce the bill impact to customers. However, the majority of feedback and submissions received on our Draft Proposal were supportive of the price-service balance proposed, reflecting that other outcomes (reliability, resilience, energy transition, cyber security etc) also remain important to customers. In the absence of compelling new evidence, we consider that the advice of the People's Panel remains the most reasonable basis upon which to determine customers' preferred package of service and price, and the Panel have reconfirmed their recommendations through their formal submission on our Draft Proposal.

2. ***Provide an opportunity for customers, or their representatives to review the investment program as a whole. Responses to SAPN's draft proposal may be part of this process.***

**Supported.** SA Power Networks has provided an opportunity for customers to review the

investment program as a whole, via the 'Draft Proposal engagement stage'. This included direct communication to all participants/stakeholders encouraging their review and the opportunity to provide feedback during the 5-week consultation period. Additional promotion was undertaken via social media and the 'Talking Power' newsletter. Twenty five submissions, emails or survey responses were received during this process, and are publicly available. We consider that this provided adequate opportunity for customers to review the investment program as a whole.

3. ***Engage with customers on productivity and efficiency issues to build trust with CAB and customers in future***

**Supported.** SA Power Networks will continue to support current (and future) consultative and advisory groups as part of our ongoing commitment to sharing information, engagement and building trust. Our current review of the existing structure and topics (in collaboration with CAB) will ensure our future model focusses our engagement on the most important topics and has appropriate representation. We anticipate that the CAB will remain as the 'flagship' group to ensure our customer views shape our services delivery and decision-making.

As part of our new operating model, we will be putting an increased emphasis on productivity and efficiency measures and initiatives and would be pleased to share updates on these.

4. ***Actively seek business sector engagement on the draft proposal and in future processes. An experienced business voice may have added more pressure to SAPN's cost forecasts, enhanced discussion about prioritisation of investment, and added rigour to the process.***

**Supported.** SA Power Networks continues to make concerted efforts to engage the business sector, including a specific strategy to engage on our Draft Proposal. We are pleased to report that following a meeting with Business SA, they promoted the engagement on our Draft Proposal to all their members and provided a formal submission. Two other formal submissions were received from business advocates, the SA Small Business Commissioner and the AI group.

5. ***Conduct a review of the engagement process and build future programs on lessons to be learned.***

**Supported.** A Reset engagement review was conducted in July 2023 by external consultant 'Think Human'. Whilst the report had an internal focus (staff workshop with 35 attendees and staff survey with 28 responses), three CAB members and eleven other stakeholders were interviewed and contributed to the report. The report was provided to CAB Reset committee in June 2023, and provides a range of ideas/suggestions and considerations for future processes. We will also conduct a post-implementation review of the entire Reset process, including engagement, once we receive our final determination, and will be pleased to share the findings.

6. ***Reconsider the role of CAB and Reset Subcommittee during the remainder of the 2025-30 engagement process as more than an 'engagement partner' and allow CAB to contribute with other experts in the rebalancing of proposed investments and affordability. This will make for a more satisfying outcome of the current process and***



*a more satisfying role in future.*

**Partially supported.** We agree that it would be valuable to reconsider the role of the CAB during the remainder of this regulatory process as well as more broadly, in future processes, including the business-as-usual processes that will provide a lead-in to the next reset. Ensuring an appropriate balance of advice from customer representatives, industry experts and customers themselves remains a challenging issue that is worthy of greater consideration.

The workshop being undertaken to review the CAB and sub-committee roles may be a useful forum to begin these discussions. Once membership of the 2024 CAB is finalised we can jointly consider what role the CAB could play in the development of SA Power Networks' response to the AER's Draft Determination when it is released in September 2024.

- 7. *Continue engagement as BAU and continue to build relationships with customers and key stakeholders to develop good quality policy and improved service delivery for the future.***

**Supported.** SA Power Networks is seeking to continually strengthen its ongoing engagement as part of its commitment to building relationships and involving stakeholders and customers in our decision-making process. A review of our existing 'consultative groups' (including CAB and CAB Reset Subcommittee) is currently being undertaken to help ensure these groups provide advice and recommendations on key topics of importance and comprise diverse and appropriate advocates, stakeholders and consumers to represent different interests.

We agree that continuing to build capacity in customers key stakeholders on key issues as part of business as usual processes is likely to make the reset process itself far more effective and efficient.

- 8. *Strengthen efforts to reflect the diversity of the South Australian community in BAU engagement.***

**Supported.** SA Power Networks is seeking to continue strengthening its ongoing and BAU engagement as part of its commitment to building relationships and involving stakeholders and customers in our decision-making process. In particular, two key stakeholder groups identified by CAB (Business and First Nations cohorts) will be considered as part of our Consultative Group review.

- 9. *Liaise with Local, State, and Federal agencies as well as market agencies and participants to improve customer outcomes through accessible and independent advice to customers and improved affordability, particularly for the most vulnerable customers within society***

**Supported.** SA Power Networks is committed to ongoing liaison and engagement with Local, State and Federal agencies to improve customer outcomes, particularly for our most vulnerable customers. We have a strong record of engagement and advocacy via our 'Community Reference Group', and recently strengthened our commitment to supporting vulnerable customers by becoming a full signatory of the Energy Charter Program. We remain committed to working collaboratively with the CAB (and other consultative groups) to strengthen our advocacy positions and drive positive customer outcomes, especially for



the most vulnerable in our society.

More specifically, we are actively lobbying State Government, through their Green Paper process, for a range of initiatives to support vulnerable customers, including the introduction of an independent energy advisory service.

10. ***Consider how the vast amount of resources developed for this process might be leveraged and shared across the industry, with the AER and with other Community Advisory Boards.***

**Supported.** Our existing relationships and networks within the energy industry and with other distribution networks provides an ideal platform to share and leverage the resources and reflections from our recent engagement process. We already share learnings and insights through our involvement with Energy Networks Australia's Communications and Consumer Engagement Working Group, and we welcome further ideas and suggestions from the CAB.

We would welcome the opportunity to continue to discuss specific actions in relation to all of these items as we continue our efforts to more effectively amplify the community's voice throughout our business.

In relation to the Executive Summary itself, we thank the CAB for the balanced perspective that the Summary now presents. However, there are two issues that we ask the CAB to provide final consideration to as they finalise the Independent Report.

1. On page 3 it is stated that *"the issue of affordability - while of growing concern due to cost of living pressure during the period - became less central as the engagement continued"*. From our perspective, affordability was always central in our minds, but needed to be balanced with service. Our desire for customers to advise us on this balance never wavered. We consider the CAB's point may be more accurately stated as *"the issue of affordability - while of growing concern due to cost of living pressure during the period - ~~became less~~ should have become more central as the engagement continued"*. This provides quite a different inference, and we consider is a more accurate reflection.
2. On page 4 in relation to concerns about the People's Panel process we acknowledge that a number of improvements could be made, and even though we disagree with some of the perspectives, they are valid concerns. However, we strongly object to the statement that *"Cumulative costs were not properly considered"* when this was the entire purpose of the People's Panel, and played back to the Panel on numerous occasions, including summaries of 'where they were at' with the total price stack after they provided their first round of recommendations. We consider this statement should be softened or removed. For example, it could be altered to *"Whether cumulative costs were sufficiently considered. In particular, whether sufficient time was allowed to properly assess the affordability and efficacy of the whole package."*

Thank you for your consideration of our feedback. We also sincerely thank members of the CAB for the 'draft summary and recommended next steps' and look forward to receiving your final report in the near future.



We remain committed to a transparent and collaborative relationship and would be pleased to discuss any aspects of our response.

Kind regards

**Mark Vincent, Chief Operating Officer**

**Jess Vonthethoff, Chief Customer and Strategy Officer**

