



**SA Power Networks**  
Ring-Fencing Guideline Compliance Report  
**For the period ended 31 December 2021**

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## **1. Executive Summary**

### **1.1 Introduction**

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

Under clause 6.2.1c of the Guideline, Deloitte has been engaged per the engagement letter between SA Power Networks ("SAPN") and Deloitte dated 11 October 2021 as the qualified independent authority to provide reasonable assurance that SAPN's Ring-Fencing Annual Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline, in all material respects, for the period from 1 July 2020 to 31 December 2021.

### **1.2 Summary of Findings**

For the current reporting period 1 July 2020 to 31 December 2021 we have not identified any exceptions. The rating of each obligation has been applied in accordance with *Section 1.3*.

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

### **1.3 Rating Applied**

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

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

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

### **Opinion**

We have undertaken a reasonable assurance engagement on whether SA Power Network's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Electricity Distribution Ring-Fencing Guideline (the "Guideline") as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2020 to 31 December 2021. The Ring-Fencing Compliance Report will accompany our report, for the purpose of reporting to the Australian Energy Regulator ("AER").

In our opinion, SA Power Networks' Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2020 to 31 December 2021.

### **Basis for Opinion**

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

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

### **Emphasis of Matter – Cost Allocation Methodology regulatory period assessed**

We draw attention to the regulatory period covered under Section 3.2.2 of the ring-fencing guideline within this report being 1 July 2020 to 30 June 2021, which is different to the compliance period of 1 July 2020 to 31 December 2021. Compliance with the Cost Allocation Method for the remaining period from 1 July 2021 – 31 December 2021 will be covered under the RINS for 1 July 2021 to 30 June 2022 regulatory period. The above exemption was confirmed by the AER on 17 March 2022.

### **Responsibilities of Management of SA Power Networks**

Management is responsible for:

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

### **Our Independence and Quality Control**

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

### **Assurance Practitioner's Responsibilities**

Our responsibility is to express an opinion on whether SA Power Networks' Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2020 to 31 December 2021. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether SA Power Network's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2020 to 31 December 2021.

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

Our procedures included, but were not limited to:

- Inquiring with SA Power Networks personnel about controls which are in place to allow SA Power Networks to comply with the Obligations;
- On a sample basis, observing the control being performed, and/or inspecting documentation to evidence the design, implementation and effectiveness of the controls;

- Inquiring with management whether they are compliant with the Obligations and corroborating our inquiry with the results of our procedures.

***Inherent Limitations***

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

A reasonable assurance engagement for the period from 1 July 2020 to 31 December 2021 does not provide assurance on whether compliance with the Guideline will continue in the future.

***Restricted Use***

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

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

DELOITTE TOUCHE TOHMATSU



**Darren Hall**

Partner

Chartered Accountants

28 April 2022, Adelaide

### 3. Detailed Findings

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

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

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

<b>Legal Separation</b>	
Guideline Reference	3.1 (a)
Guideline Obligations	A DNSP <b>must be a legal entity</b> .
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>SAPN registered Australian Business Number (ABN)</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>Performed a search of the ASIC register for SAPN's ABN to verify that SAPN is a separate legal entity.</li> <li>Inspected the registered ABN as per the ASIC register and compared it to SAPN's Distribution Network Service Provider Licence.</li> </ul>
Observations	Based on the testing performed we have not identified any matters of exception against the obligation.
Recommendation	NA
Rating	No Exception
<b>Legal Separation</b>	
Guideline Reference	3.1 (b)
Guideline Obligations	A DNSP may provide distribution services and transmission services, but <b>must not provide other services</b> .
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>Central contract register</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>A sample of SAPN revenue transactions were selected to detect instances of other services being provided by the DNSP.</li> <li>A sample of Enerven revenue balances were selected and the invoices for the transactions were obtained to check that services are performed against the Enerven ABN.</li> <li>Completeness of the contracts register was ensured by checking that a sample of contracts executed by Enerven are included on the contract register.</li> </ul>
Observations	<p><b>'Other services' contract waiver</b></p> <p>The AER granted SAPN waivers from the obligation to comply with clause 3.1 of the Guideline from 18 December 2017 to contracts expiring in 2021. On 13 May 2021, SAPN submitted another request to vary the existing waiver. This waiver application related to one contract out of the original 21 for a single customer. This contract was to expire on 30 June 2021. However, the contract provided the customer with an automatic right to extend the contract terms. The customer exercised this option, resulting in a new conclusion date of 30 June 2023. AER has granted SAPN a waiver which will allow SAPN to continue to provide maintenance and construction services to the customer for certain telecommunication services under the existing contract. The current waiver is valid till 30 June 2023. We have performed procedures to ensure completeness and accuracy of the register for the 31 July 2020 to 31 December 2021 period, no issues have been noted.</p> <p>Based on the testing performed we have not identified any matters of exception against the obligation.</p>
Recommendation	NA
Rating	No Exception

<b>Separate Accounts</b>	
Guideline Reference	3.2.1 (a)
Guideline Obligations	A DNSP <b>must establish and maintain appropriate internal accounting procedures</b> to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>SAP accounting system which contains separate General Ledger accounts for recording transactions between SAPN and Enerven</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>Inspected SAPN policies regarding maintaining separate accounts.</li> <li>We have obtained a copy of the list of transactions and inspected the general ledger accounts to check that separate General Ledger accounts for recording transactions between SAPN and Enerven are being used. We are therefore satisfied that SAPN is able to report on the transactions between itself and Enerven.</li> </ul>
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> <li>SAPN has internal accounting procedures in place that enable it to demonstrate the extent and nature of its transactions with Enerven.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Cost Allocation and Attribution</b>	
Guideline Reference	3.2.2 (a), (b)
Guideline Obligations	A DNSP <b>must allocate or attribute costs to distribution services:</b> <ul style="list-style-type: none"> <li>in a manner that is <b>consistent with the Cost Allocation Principles and its approved CAM</b>, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services.</li> <li>and must not allocate or <b>attribute other costs to the distribution services</b> it provides.</li> </ul>
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>Cost Allocation Methodology ("CAM") approved by the AER</li> <li>Cost Allocation Calculation</li> <li>Quarterly review of affiliated transactions</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>Inspected the CAM to confirm that it addresses the allocation of costs between SAPN and Enerven.</li> <li>Perform procedures to check that costs have been appropriately allocated per the cost allocation methodology as per AER approved CAM.</li> <li>Performed procedures to ensure affiliated transactions report is accurate and complete.</li> </ul>
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> <li>The AER approved CAM addresses the allocation of costs to SAPN and Enerven.</li> <li>SAPN's cost allocation calculation is consistent with the AER approved CAM for the period 1 July 2020 - 30 June 2021.</li> <li>Affiliated transaction report is accurate and complete.</li> </ul> <p>Compliance with the Cost Allocation Methodology is assessed every regulatory period as part of the AER Regulatory Information Notices (RINs). This was most recently conducted for 1 July 2020 - 30 June 2021 regulatory period with our conclusion submitted to AER in our report dated 30 November 2021. SAPN communicated to the AER through an email dated 17 March 2022 highlighting the overlap of compliance with the CAM between the RINs and the ring-fencing compliance report period. SAPN further communicated that compliance with Section 3.2.2 of the ring-fencing guideline will cover the period from 1 July 2020 -30 June 2021 reported through the RINs submission. The compliance with the CAM for the remaining period from 1 July 2021 – 31 December 2021 will be covered under the RINS for 1 July 2021 to 30 June 2022 regulatory period. The above exemption was confirmed by the AER on 17 March 2022. Our procedures on the CAM for the purpose of attesting compliance with the guideline therefore is limited to the period 1 July 2020 – 30 June 2021.</p>
Recommendation	NA

Rating	No Exception
<b>Cost Allocation and Attribution</b>	
Guideline Reference	3.2.2 (c)
Guideline Obligations	A DNSP <b>must establish, maintain and keep records</b> that demonstrate how it meets cost allocation and attribution obligations.
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>• CAM approved by the AER</li> <li>• Cost Allocation Calculation</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>• We obtained and reviewed SAPN’s cost allocation calculation, which is consistent with the AER approved CAM.</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>• SAPN maintains cost allocation calculations that are consistent with the AER approved CAM. These demonstrate how SAPN meets its cost allocation and attribution obligations.</li> <li>• Consistent with our observation in 3.2.2 (a), (b), our procedures were limited to the regulatory period 1 July 2020 to 30 June 2021.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Obligation not to Discriminate</b>	
Guideline Reference	4.1(b)
Guideline Obligations	<p><b>A DNSP must not discriminate</b> (either directly or indirectly) <b>between a related electricity service provider and a competitor</b> (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <ol style="list-style-type: none"> <li><b>direct control services by the DNSP</b> (whether to itself or to any other legal entity); and / or</li> <li><b>contestable electricity services</b> by any other legal entity</li> </ol>
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>• Enerven Engagement Guideline process</li> <li>• Service agreements between SAPN and Enerven outlining the basis on which services will be provided</li> <li>• Ring-fencing training</li> <li>• Call centre script</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>• Inquired of management and reviewed procurement policies to gain an understanding of the processes in place where Enerven is a potential supplier in SAPN sourcing activity.</li> <li>• Inquired of management whether Enerven tendered to provide services to SAPN during the period.</li> <li>• Inspected the signed service agreements between SAPN and Enerven for evidence that they establish the basis on which services are performed between the entities.</li> <li>• Inspected the signed service agreement for other suppliers providing the same services to SAPN as Enerven for evidence that the basis on which services are performed that has been established with Enerven are consistent with other suppliers.</li> <li>• Inspected the online ring-fencing training module for evidence that the obligation not to discriminate is explained in clear terms.</li> <li>• Obtained the training report indicating the employees who completed the training and the overall rate of completion.</li> <li>• Inspected SAPN call centre scripts to confirm that appropriate instructions are given in instances where a potential Enerven customer calls.</li> <li>• Anonymously called SAPN customer services on three occasions and inquired about contestable services to confirm they do not recommend Enerven as a provider.</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>• Enerven did not tender for any SAPN sourcing activity during the period.</li> <li>• SAPN has established internal policies and manual procedures where Enerven is a potential supplier during sourcing activity.</li> <li>• SAPN has signed service agreements with Enerven to outline the basis on which services will be provided.</li> </ul>



	<ul style="list-style-type: none"> <li>• The ring-fencing training module explains the obligation not to discriminate in clear terms. At 31 December 2021 the ring-fencing training module has been completed by 93% of employees.</li> <li>• On the three occasions we called the customer services centre and inquired about contestable services, the customer relations representatives did not recommend Enerven as a provider of contestable electricity services.</li> </ul> <p>We note SAPN has historically used a combination of Enerven Energy Infrastructure (affiliated entity) and Electel Pty Ltd (third party) to provide Public Lighting Services to Public Lighting customers. From 1 July 2020, the AER classified public lighting as a Direct Control Service, with these services further classified as Alternative Control Services, prior to these services were classified as Negotiated Distribution Services. Enerven Energy Infrastructure provides new installations and upgrades (LED roll outs) services to SAPN. New installations can include either the supply and installation or installation only. AER has approved the price build-up for all public lighting services offered by SAPN with the AER approved pricing applicable from 1 July 2020. The public lighting service contract with Electel expired on 31 December 2021 and Enerven entered into a short-term contract to align with the Electel contract. Allowing SAPN to perform market testing and assessment for Public Lighting Services to guide future outsourcing decisions.</p> <p><b>Procurement information access restrictions</b></p> <p>Procurement staff members are a corporate service and are shared by SAPN and Enerven, as permitted under clause 4.2.2(b)(i)(c) of the Guideline. To perform their shared function, procurement staff members have access to SAP and other IT systems that contain confidential information such as current contract files and agreements.</p> <p>When SAPN undertakes sourcing activity where Enerven is a potential supplier, a procurement team representative is appointed to support Enerven. The following process is required to be undertaken:</p> <ol style="list-style-type: none"> <li>1. Enerven will be treated like any supplier.</li> <li>2. the procurement staff undertaking the respective sourcing activity, cannot also support Enerven in their bidding process,</li> <li>3. the procurement team representative for Enerven is required not to access confidential information during the sourcing activity.</li> </ol> <p>We understand that the AER is aware of this as evidenced by correspondence with SAPN in writing that the current process in place is sufficient in removing any immediate risk of discrimination. Refer to the details of our evaluation of this process in section 4.3.2 (a) (b) Protection of Confidential Information below.</p> <p>For SAP applications, the ability to restrict access between SAPN and Enerven is limited without having separate company codes. A new Company code will be established for Enerven during April 2022. We have sighted the attestation reports to the AER to confirm whether any Enerven staff have actively accessed IT applications containing confidential electricity information. Our evaluation on the information contained in the attestation reports have been detailed in section 4.3.2 (a) (b) Protection of Confidential information below.</p>
Recommendation	NA
Rating	No Exception
<b>Offices, Staff, Branding and Promotions</b>	
Guideline Reference	4.2.1(a)
Guideline Obligations	A DNSP <b>must use offices that are separate from any offices from which a related electricity service provider</b> provides contestable electricity services
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>• Separate offices for SAPN and Enerven</li> <li>• Review of office sharing register</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>• Performed a search of the SAPN and Enerven business addresses and visited each entity’s offices to confirm that SAPN uses offices that are separate from the offices where Enerven provides contestable electricity services.</li> <li>• Inspected SAPN’s policies in relation to offices, staff, branding and promotions.</li> </ul>

	<ul style="list-style-type: none"> <li>Performed procedures to ensure the office sharing register has been reviewed.</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>SAPN have separate offices from Enerven.</li> <li>General building access is granted to all SAPN and Enerven employees.</li> <li>Access to 4 areas of the SAPN head office at Keswick is restricted, including the Network Operations Centre, Telecommunications Network Operations Centre, Advanced Distribution Management System admin area and Private Automatic Branch Exchange. Access to these areas are restricted due to the security risk and potential widespread impact to the business should someone unauthorised access these areas and cause damage.</li> <li>We identified that common amenities are shared however we inspected correspondence indicating that the AER is aware of the physical separation approach of SAPN that some common amenities are shared. In addition to this, details of Office Sharing Guideline and Office Sharing Quick Reference guide are maintained in the Internal Quality Management System Knowledge Library and this is communicated to all staff during training and corporate bull. Based on this and the fact that no breaches to the obligations were identified, we have concluded no exception.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Staff Sharing</b>	
Guideline Reference	4.2.2(a)
Guideline Obligations	A DNSP <b>must ensure that its staff involved in the provision or marketing of direct control services</b> are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>Monitoring the completion of induction checklists for staff movements, which include the review of access to critical applications.</li> <li>Review of staff sharing register</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>Inquired regarding SAPN's policies in relation to staff sharing.</li> <li>Inquired regarding the quarterly staff sharing analysis.</li> <li>Selected a sample of staff that cannot be shared by SAPN and Enerven. We ensured they have not held an Enerven position or report to an Enerven Manager.</li> <li>Selected a sample of staff that can be shared and assessed based on their position if it is appropriate for that position to be classified as "possible to share".</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>SAPN has established internal policies and procedures designed to prevent staff sharing in circumstances not allowed by the Guideline. (Refer to our observations on this control in section 4.3.2 (a) (b) Protection of Confidential information below)</li> <li>Staff sharing analysis is performed periodically to identify staff members that are not able to be shared.</li> </ul> <p>Deloitte obtained the staff sharing register for the period 2020- 2021, inquired the process for preparing and updating the analysis and updating the register based on the analysis. Inquired with management the process undertaken to appropriately review the register and inspected evidence of review through email. We have not identified any exceptions. We did not identify an exceptions of any staff who can't be shared holding roles at Enerven or positions classified as "possible to share" that should not be.</p>
Recommendation	NA
Rating	No Exception
<b>Branding and Cross-promotion</b>	
Guideline Reference	4.2.3(a)
Guideline Obligations	A DNSP:

	<p>i) <b>must use branding for its direct control services</b> that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related electricity service provider are related.</p> <p>ii) <b>must not advertise or promote its direct control services and its contestable electricity services</b> that are not direct control services together (including by way of cross-advertisement or cross-promotion).</p> <p>iii) <b>must not advertise or promote contestable electricity services</b> provided by a related electricity service provider other than the DNSP itself.</p>
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>• Social media and website approval process</li> <li>• Call centre scripts</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>• Inquired and inspected SAPN's policies relating to branding and cross promotion.</li> <li>• Inspected the SAPN website and social media pages for graphics or posts that would lead a reasonable person to infer that SAPN and Enerven are related or that show cross-advertisement, cross-promotion, or promotion of Enerven services.</li> <li>• Selected a sample of updates to the SAPN website and a sample of social media posts made in the period and performed procedures to test that the appropriate approval was obtained.</li> <li>• Selected a sample of customer complaints and queries and investigated for evidence of customer complaints regarding branding or cross-promoting.</li> <li>• Reviewed SAPN call centre scripts for evidence of promotion of contestable electricity services provided by Enerven.</li> <li>• Anonymously called SAPN customer services and inquire about contestable services for evidence that Enerven is not recommended as a provider.</li> <li>• Obtained Enerven and SAPN uniforms and investigated whether SAPN uniform contain Enerven branding or Enerven uniform contains SAPN branding</li> <li>• Obtained the vehicle register and selected a sample to ensure correct branding has been used and no cross promotion exists.</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>• Distinctly separate Enerven branding has been developed for use when performing contestable electricity services.</li> <li>• Website and social media approval controls are appropriately designed and operated effectively during the testing period.</li> <li>• SAPN does not promote its direct control services and its contestable electricity services that are not direct control services together.</li> <li>• Both SAPN and Enerven uniforms are in compliance with the ring-fencing guidelines. No issues have been noted with uniform designs and cross promotional activity employed with these designs.</li> <li>• All vehicle branding were consistent with the vehicle register. We have also ensured the completeness of the vehicle branding listing by visiting Enerven and SAPN sites to trace vehicles parked to the register.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Office and Staff Registers</b>	
Guideline Reference	4.2.4 (a), (b)
Guideline Obligations	A DNSP <b>must establish, maintain and keep a register</b> that identifies: (a) the <b>classes of offices</b> to which it has not applied; and (b) the <b>nature of the positions (including a description of the roles, functions and duties) of its members of staff</b> and must make the register publicly available on its website.
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>• Office and staff registers</li> <li>• Quarterly staff sharing analysis</li> <li>• Quarterly office sharing analysis</li> </ul> <p><b>Test Performed</b></p>

	<ul style="list-style-type: none"> <li>Observed that the office and staff register is publicly available on the SAPN website.</li> <li>Selected a sample to verify the data in the office and staff register against the results of the office/location and staff sharing analysis to test that the office and staff registers are appropriately maintained and updated.</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>SAPN maintains an office and staff register, which is publicly available on its website and updated quarterly based on the results of the office sharing analysis and staff sharing analysis.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Protection of Confidential Information</b>	
Guideline Reference	4.3.2 (a) (b)
Guideline Obligations	<p>A DNSP <b>must:</b>  <b>(a) keep confidential information confidential</b>  <b>(b) only use confidential information for the purpose for which it was acquired or generated</b></p>
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>Information Classification and Handling Procedure</li> <li>IT application access approval</li> <li>Quarterly system access review</li> <li>Induction checklist for all staff that have moved to Enerven</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>Inquired and inspected the SAPN Policies with regards to the protection of confidential information.</li> <li>Inspected the latest information register which is publicly available on the SAPN website to inspect if SAPN has disclosed any ring fenced information to any person.</li> <li>Inspected the customer complaints register for evidence of customer complaints that indicate the disclosure of confidential information.</li> <li>Ensured the list of critical applications for completeness.</li> <li>Inspected the quarterly attestation letters sent to AER to investigate any possible IT access incidents.</li> </ul>

Observations	<p>Based on the testing performed we have made the following observations:</p> <p>SAPN has had a strong focus on improving their IT environment to ensure proper segregation between Enerven and SAPN staff. In 2019/2020 regulatory period we noted number of exceptions of Enerven staff having inappropriate access to critical applications. It was recommended hard controls be implemented in SAP and non- SAP systems. As an interim measure AER has requested quarterly attestation letters to inform of any Enerven staff having inappropriate access to critical applications. We have reviewed these letters and noted no instances of inappropriate access has been noted during the period.</p> <p><b>SAP and Non-SAP Applications</b></p> <p>Deloitte obtained access logs for the regulatory period for the following critical applications that contain confidential customer information:</p> <ul style="list-style-type: none"> <li>- NESS</li> <li>- OMS</li> <li>- ROMS</li> <li>- CISOV/ CISOV Web Browser</li> </ul> <p>These applications were selected based on the findings noted in the prior period. A sample was selected from the access logs to ensure appropriate approval was provided to access these applications. We did not note any exceptions. CISOV/ CISOV Browser has been decommissioned in June 2021 due to the change in billing system from CISOV to SAP-ISU we extended the above procedures to check that there has been no inappropriate access to SAP- ISU.</p> <p>In the prior period our testing identified various SAP applications such as SAP PROEst 1.0, SAP CARE and Sales Contracts that contain confidential information that are not included on the list of critical applications. We have re-performed this testing in the current year as at 31 December 2021 and found that this has not been updated to include these applications in the current year as at 31 December 2021. Our testing did not identify any non-SAP applications that contained confidential information that were not included on the list of critical applications. Per discussions with the regulatory team, it was noted most SAP applications are considered as containing confidential information hence one "SAP" line item is included in the critical application list.</p> <p>It is important to note although these applications are not included in the critical application list, SAPN has performed quarterly IT access reviews for all the applications mentioned above and have not noted any inappropriate access to any of the critical applications.</p> <p><b>Enerven Staff Secondments to SAPN</b></p> <p>Enerven staff being seconded to SAPN without induction checklist being completed.</p> <p>In the 2018/19 regulatory period, the HR department designed controls to monitor the completion of checklists where staff movements have occurred. These controls require HR staff to generate a report from SAP that identifies staff secondments and transfers to Enerven each month. HR staff are required to ensure that the hiring manager has prepared and signed a transfer or secondment checklist for the staff member. If a signed induction checklist is not completed, the HR team member contacts the hiring manager to ensure that a checklist is completed.</p> <p>Deloitte obtained the monthly staff movement reports for the regulatory year and made a selection of employees to ensure checklist has been performed and appropriate access to critical applications have been granted or revoked. No exceptions have been noted.</p>
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	<p><b>IT Access Review</b></p> <p>SAPN's IT team performed a quarterly review of Enerven staff with access to critical applications. The review is performed to identify any Enerven staff members who have access to a critical application without the appropriate approval or where access to the critical application is not permissible under the Guideline.</p> <p>We made the following observations in relation to the quarterly IT access review:</p> <ul style="list-style-type: none"> <li>The reviewer's considerations are not documented (i.e. there is no documentary evidence of the reviewers' consideration in performing the quarterly review);</li> </ul> <p>Where the review is not documented it is not possible to monitor whether the control is operating effectively.</p> <p>We did not identify any matters of exception to the guidelines however an improvement has been noted and communicated to management.</p>
Recommendation	<p><b>IT Access Review</b></p> <p>We recommend that SAPN IT:</p> <ul style="list-style-type: none"> <li>Document their considerations used in the review of all critical applications, including those where no Enerven staff are identified as having access to the critical application;</li> <li>Develop an approach to document the evidence to confirm a consistent methodology has been used for reviewing access and documented consistently across all critical applications.</li> </ul>
Rating	No Exception
<b>Disclosure of Information</b>	
Guideline Reference	4.3.3 (a)-(g)
Guideline Obligations	<p>A DNSP <b>must not disclose confidential information to any person</b>, including a related electricity service provider, unless:</p> <p>(a) the DNSP has first <b>obtained the explicit informed consent</b> of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the <b>disclosure is required by</b>, or for the purpose of complying with <b>any law</b>;</p> <p>(c) the <b>disclosure is necessary to enable the DNSP to provide its distribution services</b>, its transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(d) the <b>information has been requested by or on behalf of a customer</b>, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer;</p> <p>(e) the <b>disclosure is solely for the purpose of providing assistance to another Network Service Provider</b> in response to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control;</p> <p>(f) the <b>disclosure is solely for the purposes of research by a legal entity</b> other than a related electricity service provider of the DNSP</p> <p>(g) a <b>related electricity service provider of the DNSP has requested the disclosure</b> and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>Requests for Information Procedure</li> <li>Information Classification and Handling and Management Directive</li> <li>Requests for Information Procedure</li> <li>Information Sharing Protocol</li> <li>Information Sharing Web Form</li> <li>Information Sharing Terms and Conditions</li> <li>Information Register</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>Inquired and inspected SAPN's policies in relation to the disclosure of information.</li> </ul>

	<ul style="list-style-type: none"> <li>Performed inquiries to determine whether SAPN has disclosed any confidential information in the period.</li> <li>Reviewed the customer queries and complaints register for evidence of customer complaints that indicate the disclosure of confidential information.</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>SAPN has developed policies and procedures to ensure that confidential information is disclosed only where permitted under the Guideline.</li> <li>SAPN has not disclosed confidential information in the period.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Information Register</b>	
Guideline Reference	4.3.5 (a) - (c)
Guideline Obligations	<p>(a) A DNSP <b>must establish, maintain and keep a register</b> of all:</p> <ol style="list-style-type: none"> <li>related electricity service providers;</li> <li>other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information identified in clause 4.3.4(a), and must make the register publicly available on its website.</li> </ol> <p>(b) For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.4(a), the DNSP's information register must:</p> <ol style="list-style-type: none"> <li>identify the kind of information requested by the legal entity; and</li> <li>describe the kind of information requested by the legal entity in sufficient detail to enable other legal entities to make an informed decision about whether to request that kind of information from the DNSP.</li> </ol> <p>(c) <b>A legal entity may request that the DNSP</b> include it on the information register in relation to some or all of the kinds of information that the DNSP is required to provide under clause 4.3.4(a), and the DNSP must comply with that request.</p>
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>Information Register</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>Observed that the information register is publicly available on SAPN's website.</li> <li>Confirmed that there were no disclosures of confidential information in the period by reviewing the results of the Information Sharing Web Form.</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>SAPN has established an information register that is publicly available on the SAPN website.</li> <li>SAPN has processes in place to maintain the information register.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Conduct of Service Providers</b>	
Guideline Reference	4.4.1 (a)
Guideline Obligations	<p>A DNSP:</p> <p>(a) <b>must ensure that any new or varied agreement between</b> the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with:</p> <ol style="list-style-type: none"> <li>clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and</li> <li>clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP</li> </ol>
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>SAPN Standard Terms and Conditions</li> </ul> <p><b>Test Performed</b></p>

	<ul style="list-style-type: none"> <li>Inspected SAPN Standard Terms and Conditions and checked that it requires service providers to comply with clauses 4.1, 4.2.1, 4.2.2, 4.3.2 and 4.2.3 of the Guideline.</li> <li>Selected a sample of suppliers with new contracts entered into in the period and confirmed that the Standard Terms and Conditions attached to the contract contained the requirement to comply with clauses 4.1, 4.2.1, 4.2.2, 4.3.2 and 4.2.3 of the Guideline.</li> </ul>
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> <li>SAPN standard terms and conditions requires service providers to comply with clauses 4.1, 4.2.1, 4.2.2, 4.3.2 and 4.2.3 of the Guideline.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Conduct of Service Providers</b>	
Guideline Reference	4.4.1 (b)
Guideline Obligations	A DNSP: (b) <b>must not, directly or indirectly, encourage or incentivise</b> a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's obligations.
Testing	<b>Key Control</b> <ul style="list-style-type: none"> <li>SAPN Standard Terms and Conditions</li> <li>Supplier Contract Amendment Letter</li> </ul> <b>Test Performed</b> <ul style="list-style-type: none"> <li>We reviewed the SAPN Standard Terms and Conditions and checked that they do not directly or indirectly, encourage or incentivise service providers to engage in conduct, which, if the SAPN engaged in the conduct itself, would be contrary to the DNSP's obligations.</li> <li>We selected a sample of suppliers with new contracts entered into in the period and confirmed that the revised Standard Terms and Conditions were attached.</li> </ul>
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> <li>SAPN standard terms and conditions requires service providers to comply with clauses 4.1, 4.2.1, 4.2.2, 4.3.2 and 4.2.3 of the Guideline.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Waiver Register</b>	
Guideline Reference	5.7 (a)
Guideline Obligations	A DNSP <b>must establish, maintain and keep a register of all waivers</b> (including any variation of a waiver) and must make the register publicly available on its website
Testing	<b>Key Control</b> <ul style="list-style-type: none"> <li>Waiver register</li> </ul> <b>Test Performed</b> <ul style="list-style-type: none"> <li>Observed that the waiver register is publicly available on SAPN's website.</li> <li>Selected samples to verify the details contained on the waiver register against the waiver decisions published on the AER website.</li> </ul>
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> <li>The waiver register is publicly available on the SAPN website.</li> <li>SAPN's waiver register is consistent with the AER waiver decisions.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Waiver Register</b>	
Guideline Reference	5.7 (b)



Guideline Obligations	The register established under clause 5.7(a) <b>must include:</b> i. <b>the description of the conduct</b> to which the waiver or interim waiver applies; and ii. <b>the terms and conditions of the waiver or interim waiver</b> ; as set out in the AER's written decision, provided by the AER to the DNSP, to grant (or vary) the waiver or interim waiver.
Testing	<b>Key Control</b> <ul style="list-style-type: none"> <li>Waiver register.</li> </ul> <b>Test Performed</b> <ul style="list-style-type: none"> <li>Selected samples to test the details contained on the waiver register against the requirements of the Guideline.</li> </ul>
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> <li>The details contained on SAPN's waiver register are consistent with the requirements of the Guideline.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Maintaining Compliance</b>	
Guideline Reference	6.1
Guideline Obligations	A DNSP <b>must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline.</b>
Testing	<b>Discussions held with:</b> <ul style="list-style-type: none"> <li>Regulatory Analyst</li> <li>Learning and Development Manager</li> </ul> <b>Key Control</b> <ul style="list-style-type: none"> <li>Bi-annual Internal Compliance Questionnaire</li> <li>Dedicated regulatory team</li> <li>Ring-Fencing Training and quiz module for L3 Managers and above</li> </ul> <b>Information Obtained</b> <ul style="list-style-type: none"> <li>Regulation Ring-Fencing Compliance Procedure</li> <li>Ring-Fencing Training module and completion report</li> </ul> <b>Test Performed</b> <ul style="list-style-type: none"> <li>Inquired and inspected the Regulation Ring-Fencing Compliance Procedure.</li> <li>Inspected the responses to the Regulation Ring-Fencing Internal Compliance Questionnaire.</li> <li>Reviewed the online ring-fencing training module for evidence that the ring-fencing obligations are explained in clear terms.</li> <li>Obtained the training report indicating the employees who completed the training and the overall rate of completion.</li> </ul>
Observations	Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> <li>SAPN has developed policies and procedures to ensure that it complies with the obligations under the Guidelines.</li> <li>The ring-fencing training module explains the Guideline obligations in clear terms.</li> <li>At 31 December 2021 93% of staff had completed the mandatory ring-fencing training.</li> </ul> <p>Based on the testing performed we have made the following observations in regard to prior year findings:</p> <p><b>Ring-fencing e-learning</b></p> <p>During the 2019/20 regulatory year, we noted the e-learning introduction to Ring Fencing still lacked the recommended quiz component at the end of the e-learning, but it was identified a new e-learning 'Managing for Compliance' was developed for L3 Managers that embedded a quiz component and subsequent to the completion of this module, managers are required to hold a Ring Fencing refresher session with their respective teams. These Manager held sessions would provide junior staff an opportunity to refresh their understanding and a platform to ask</p>

	<p>questions. The new Managing for Compliance e-learning module was released in July 2020 and was implemented during the testing period. 85% of L3 Manager and above have completed this training.</p> <p><b>Internal compliance Questionnaire</b></p> <p>During the period from 1 July 2020 to 31 December 2021, we have noted that the review of the internal compliance questionnaire has occurred only once covering the period from 1 July 2020- 31 December 2021. Based on our discussion with the management, it was noted that the management is in the process to update the policy to update that the internal compliance questionnaire will be performed once for the ring-fencing period.</p>
Recommendation	NA
Rating	No Exception
<b>Annual Compliance Report</b>	
Guideline Reference	6.2.1 (a), (b)
Guideline Obligations	<p>A DNSP <b>must prepare an annual ring-fencing compliance report each regulatory year.</b></p> <p><b>The annual compliance report must identify and describe</b>, in respect of the regulatory year to which the report relates:</p> <ol style="list-style-type: none"> <li>the <b>measures the DNSP has taken</b> to ensure compliance with its obligations under this Guideline;</li> <li><b>any breaches of this Guideline by the DNSP</b>, or which otherwise relate to the DNSP; and</li> <li><b>all other services provided by the DNSP</b> in accordance with clause 3.1; and</li> <li><b>the purpose of all transactions between the DNSP and an affiliated entity.</b></li> </ol>
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>Ring-fencing compliance report</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>Reviewed the draft 2020-21 ring-fencing compliance report against the requirements of the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual (version 2).</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>SAPN has prepared a compliance report that is consistent with the requirements of the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual (version 2).</li> </ul>
Recommendation	NA
Rating	No Exception

<b>Annual Compliance Report</b>	
Guideline Reference	6.2.1 (c)
Guideline Obligations	The <b>annual compliance report must be accompanied by an assessment of compliance</b> by a suitably qualified independent authority.
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>Ring-fencing compliance report</li> <li>Deloitte has been engaged as the independent authority to assess SAPN's compliance with the Guideline.</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>Reviewed the draft annual ring-fencing compliance report for evidence that it is accompanied by an assessment of compliance by a suitably qualified independent authority.</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>SAPN has prepared a compliance report that is consistent with the requirements of the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual.</li> </ul>

	<ul style="list-style-type: none"> <li>The compliance report is accompanied by an assessment of compliance by a suitably qualified independent authority.</li> </ul>
Recommendation	NA
Rating	No Exception
<b>Compliance Breaches</b>	
Guideline Reference	6.3
Guideline Obligations	A DNSP must <b>notify the AER in writing within 5 (five) business days of becoming aware of a material breach of its obligations</b> under this Guideline.
Testing	<p><b>Key Control</b></p> <ul style="list-style-type: none"> <li>Breach Management Governance Framework</li> <li>Ring-fencing training module</li> </ul> <p><b>Test Performed</b></p> <ul style="list-style-type: none"> <li>Reviewed the Breach Management Governance Framework and Breach Reporting Quick Reference Guide.</li> <li>Selected a sample of customer complaints and queries to investigate for instances of non-compliance with the Guideline.</li> <li>Reviewed the online ring-fencing training module for evidence that employees are informed of the breach reporting process.</li> <li>Obtained the training report indicating the employees who completed the training and the overall rate of completion.</li> </ul>
Observations	<p>Based on the testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>SAPN has established processes to ensure material breaches are reported to the AER within 5 days.</li> <li>No material breaches noted that were notified to AER within 5 days.</li> </ul>
Recommendation	NA
Rating	No Exception

**Management Response(s)**

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

No.	Category	Ref.	Guidance Obligation	Rating	Material Breach	Management Comment
1	Protection of Confidential Information	4.3.2 (a) (b)	A DNSP <b>must:</b> <b>(a) keep confidential information confidential</b> <b>(b) only use confidential information for the purpose for which it was acquired or generated</b>	No exception.	No.	<p><b><i>IT Access Review</i></b></p> <p>Access reviews of each application containing confidential information were again conducted in 2020-2021 and verified by IT Management, to ensure the process and controls are being adhered to. No instances were detected where staff had inappropriate access.</p> <p>Following our 2018/19 report compliance report, the AER remained concerned at the lack of 'hard' access controls and noted Deloitte's recommendation that separate company codes be implemented in our SAP system.</p> <p>As part of our 2020-25 distribution revenue determination, the AER approved funding for our Ring-fencing Compliance: IT Solution Business Case. This business case provided for the implementation of 'hard' access controls in our SAP and Non-SAP systems. The implementation of 'hard' controls in SAP was implemented in April 2022, with separate company codes now operational for SA Power Networks and Enerven. Implementation of 'hard controls' for non-SAP applications is underway, with the program expected to be finalised early 2023.</p> <p>We implemented improvements recommended in Deloitte's 2019-20 report to tighten our processes associated with system access for staff secondments between SA Power Networks and Enerven. System access is reviewed against ring-fencing requirements for all staff movements, including at the commencement and end of secondment.</p> <p>The approval for any Enerven staff requesting access to critical systems is managed in the IT service request management tool. The process incorporates completing ring-fencing specific templates to ensure access is only approved where it is in accordance with the ring-fencing obligations.</p> <p>Access reviews are conducted on a quarterly basis, to confirm that staff have approval to access systems that contain confidential information. We have updated documentation used for the quarterly review of staff access to critical systems. We acknowledge this review is limited to confirming the staff member</p>

No.	Category	Ref.	Guidance Obligation	Rating	Material Breach	Management Comment
						<p>has been provided with approval to access the system, it is not considering if the staff member still requires access to the system.</p> <p>Noting Deloitte's continued recommendations associated with IT access review, SA Power Networks will introduce a new annual review process to assess if approved access to critical systems is still required and permissible under the Ring-fencing guideline. This will include documentation of the review process and the considerations used in the review to ensure consistency is applied across all systems. This annual review process will supplement the quarterly access checks that are being conducted.</p>