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**1 July 2020 to 2 February 2022**  
**Annual Ring-Fencing Compliance Report**  
**AER Ring-Fencing Guideline**

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# 1 Introduction

## 1.1 Background

On 1 December 2016 the Australian Energy Regulator (AER) published the AER Ring-Fencing Guideline - Electricity Distribution (Guideline), Version 1. The Guideline was developed as a requirement under Chapter 6, part H of the National Electricity Rules (NER). Version 2 of the Guideline was released in October 2017, and distribution network service providers (DNSPs) were required to fully comply with the obligations set out in it by 1 January 2018.

The AER released its current version of the Guideline (Version 3) on 3 November 2021. The Guideline was developed as a requirement under rule 6.17.2 of the NER and is binding on all DNSPs. The Guideline aims to:

- Promote the National Electricity Objective by providing for the accounting and functional separation of the provision of direct control services by the DNSPs from the provision of other services by them, or by their affiliated entities (i.e. prevent cross-subsidisation and discrimination); and
- Promote competition in the provision of contestable electricity services.

In 2016 the NER commenced operation in the Northern Territory via the NT NER Modification Regulations (NT NER). To assist with the transition of regulation under the Northern Territory Utilities Commission to the AER, Power and Water Corporation (Power and Water) as the DNSP was not required to comply with the Guideline and the obligations as set out in Chapter 6 of the NT NER until 1 July 2019.

Due to the nature of the broad operations of Power and Water, not all Guideline provisions apply. Rule 6.17.1B of the NT NER outlines the clauses of the Guideline that have been derogated. Further information on the application of the Guideline in the Northern Territory is outlined in Section 2 of this report.

Power and Water submitted its first annual compliance report for the period 1 July 2019 to 30 June 2020, along with the first independent assessment of compliance for that reporting period in October 2020 (first Annual Compliance Report and Independent Assessment). The first Annual Compliance Report and Independent Assessment identified compliance issues included adverse findings, and Power and Water has focused its efforts on addressing these areas during the current reporting period.

This report has been prepared having regards to the principles set out in Clause 4.1.1 of the AER Electricity Distribution Ring-fencing Guideline – Compliance reporting best practice manual (version 2, July 2019). That is, the AER “encourage[s] DNSPs to adhere to the following principles when writing their annual compliance reports:

- Report on specific measures, areas of the business, or challenges, rather than describing compliance measures in general, vague, or abstracted terms.
- Hone-in reporting on areas of the business that carry greater risk of breaches of the Guideline or which have experienced breaches over the course of the regulatory year and focus reporting on those areas.
- Avoid jargon and technical language where possible and keep compliance reporting clear and as ‘plainEnglish’ as possible.”

## 1.2 Purpose

Clause 6.2.1 of the Guideline requires Power and Water to prepare an annual ring-fencing compliance report, each calendar year. The annual report must, for the calendar year to which it relates, identify and describe:

- the measures Power and Water has taken to ensure compliance with its obligations under the Guideline;
- any breaches of the Guideline by Power and Water, or which otherwise relate to Power and Water;
- all other services provided by Power and Water in accordance with clause 3.1 of the Guideline; and
- the purpose of all transactions between Power and Water and a related electricity service provider.

Clause 6.2.2 requires the annual report to be submitted to the AER within 4 months of the end of the reporting period. Version 3 of Guideline has changed the reporting period for annual compliance reports from a regulatory year to a calendar year. In recognition of this change, transitional arrangements are provided by clause 7.2 of the Guideline, and the AER has confirmed this compliance report covers a 19 month period from 1 July 2020 to 2 February 2022 which is up to the end of the effective date for Version 2 of the Guidelines, which is then superseded by Version 3.

This will be Power and Water's second annual compliance report under the Guideline obligations set out in clause 6.2. Throughout the reporting period, Power and Water has been in regular contact with the AER providing updates on its progress against the improvement roadmap outlined in its first Annual Report and Independent Assessment.

In February 2021, following its consideration of Power and Water's First Annual Report and Independent Assessment, the AER confirmed its view that the compliance issues identified gave rise to a relatively low level of potential harm to the competitive market and consumers. The AER confirmed that subject to Power and Water continuing to implement recommendations contained in the Independent Assessment, and continue to update the AER on its progress, no further action would be taken in relation to those compliance issues.

Power and Water submitted its first comprehensive update to the AER in April 2021 which detailed key activities to be delivered to address priority areas for compliance, and the time frame to achieve same. In June 2021 Power and Water provided a further update to the AER on the specific challenges preventing full compliance with some Guideline obligations and proposed next steps. On 30 September 2021 the AER provided their position in response to Power and Water's next steps and the expected time frames for implementation. In addition to this formal correspondence, meetings between Power and Water and the AER were held throughout 2021 to provide updates progress and to test proposed actions to achieve compliance.

In satisfying Power and Water's obligations under the Guideline, and with the agreement of the AER, this report represents Power and Water's annual ring-fencing compliance report for the reporting period 1 July 2020 to 2 February 2022.

This annual compliance report is accompanied by an independent assessment of compliance conducted by KPMG, a suitably qualified independent authority (Attachment A).

## 2 Ring-fencing applied in the NT

### 2.1 Overview

Power and Water is a multi-disciplined organisation, with part of its business operating as a DNSP regulated by the AER under the NT NER, and a much broader spectrum of electricity services outside of the DNSP activity governed by the Northern Territory Utilities Commission under the *Electricity Reform Act 2000*. Consequently, Power and Water faces unique challenges as it is governed by dual ring-fencing instruments; the AER's Guideline, and the Northern Territory Utilities Commission and Electricity Ring-Fencing Code (UC Code). While recent changes introduced by the Northern Territory Utilities Commission have minimised the level of overlap and duplication between the two instruments, Power and Water nevertheless operates in a complex regulatory environment.

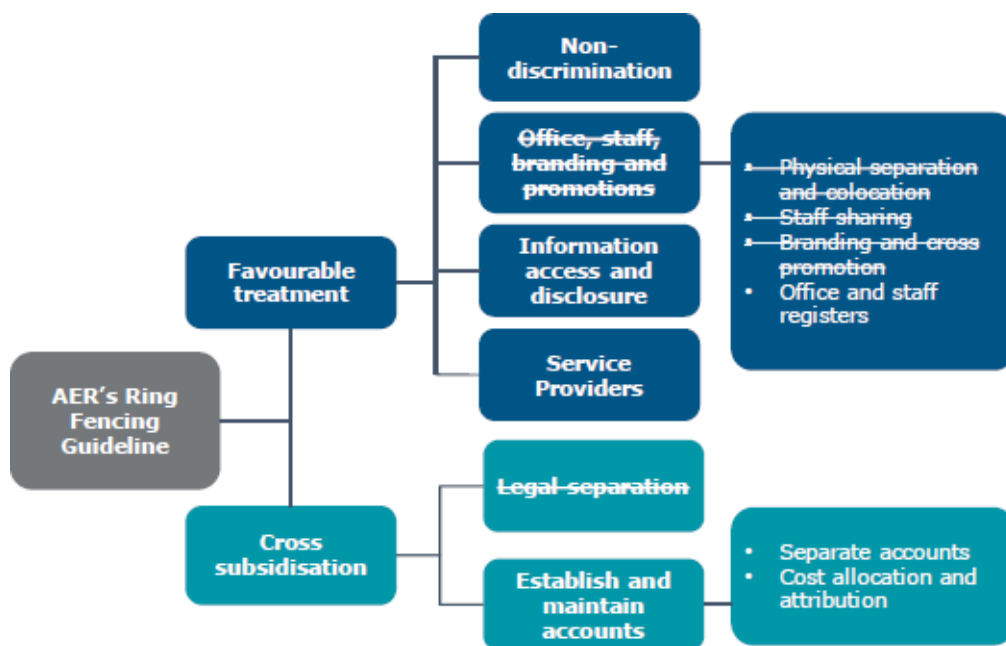
In respect of Power and Water's obligations to the AER under the NT NER, the application of the Guideline for Power and Water is also limited by several derogations provided under the NT NER (clause 6.17.1B). These derogations modify, and in some instances remove, several requirements that apply to other DNSPs governed by the NER. For example, there is no obligation for Power and Water to:

- legally separate other services from its distribution services; and
- functionally separate its other distribution services or other electricity services from its distribution services.

A marked-up version of the Guideline (Version 2) indicating the various derogations applied to the Northern Territory is in Appendix 3.

The diagram below outlines the modified NT framework under the Guideline.

**Diagram 1: Modified NT ring-fencing framework under the Guideline**



In addition to the derogations enforced by the NT NER, there are several definition changes that are to be considered when applying the Guideline in the Northern Territory. These include the following references:

- "non-distribution services" must be regarded as a reference to "other services" (cl. NT NER 6.17.1B(b))
- "affiliated entities" (in cl. 3.2.1(a) of the Guideline) must be regarded as a reference to "related electricity service providers" (NT NER 6.17.1B(c))
- "affiliated entities" (in cl. 6.2.1(B)(iv) of the Guideline) must be regarded as a reference to "related electricity service providers" (NT NER 6.17.1Bd)).

While legal and functional separation do not apply, the Guideline still requires Power and Water to identify those entities or areas of the organisation that could be considered a related electricity service provider (RESP).

## 2.2 Compliance strategy by Guideline element

Power and Water recognises that risk and compliance management is an integral part of good governance and management. Power and Water is committed to implementing an integrated risk and compliance management approach across the whole organisation that; supports the realisation of Power and Water's strategic objectives, maintains a culture of integrity, compliance and ethical behaviour, while effectively managing Power and Water's strategic and operational risks.

Risk and compliance management forms an integrated part of Power and Water's strategic and operational planning processes, to ensure legal, regulatory and commercial compliance obligations are systematically identified, captured and managed through an enterprise wide compliance obligations register with assigned accountabilities. Obligations are risk assessed and managed through application of Power and Water's risk management framework.

Outlined below is Power and Water's approach to ensuring compliance with the Guideline.

### 2.2.1 Prevention of cross subsidies

#### Legal separation

Due to the nature of the broad operations of Power and Water, not all of the Guideline provisions apply. Under rule 6.17.1B(a)(3) of the NT NER, clause 3.1 Legal Separation of the Guideline currently has no effect in the NT.

## Establish and maintain accounts

Power and Water maintains appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP, its affiliated entities (or RESPs), and integrated electricity services.

As noted above, Power and Water reviewed and updated its internal Accounting Procedures and controls to improve its compliance with the Guideline in November 2021, the procedures were subsequently approved in January 2022. During the year, Power and Water allocated or attributed costs to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved CAM as approved by the AER and in accordance 3.2 of the Guideline such that:

- It is able to establish and maintain a separate set of financial accounts and reports in respect of each Prescribed Business (System Controller Business);
- It prepares the financial accounts and reports in accordance with the Accounting Procedures as approved by the Northern Territory Utilities Commission under the Code,
- Internal Accounting Procedures ensure that the nature of transactions between Power and Water and its RESPs are appropriate; and
- Attributed costs are allocated to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved Cost Allocation Methodology (CAM), as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services.

### 2.2.2 Functional separation

Whilst functional separation of staff does not apply to Power and Water under the derogations granted under rule 6.17.1B(a)(3), the Guideline has a requirement to not disclose ring-fenced information except in specified circumstances. This creates challenges not only from a system perspective but in circumstances where common staff are used to deliver services or support.

Given the nature of the services provided under a separate form of regulatory oversight or as a community service obligation, and that competition for these services is unlikely to emerge, the risk of discrimination in sharing information is very low relative to the benefits that could be derived from the promotion of efficiencies or the avoidance of costs through the sharing of ring-fenced information and by default, the staff involved in the management of that information in the delivery of services. It is considered there is a relatively low level of potential harm to competitive market & consumers as a result.

#### Obligation not to discriminate

Power and Water takes its obligation not to discriminate in favour of its affiliates (or RESPs) seriously. This has been demonstrated through mandatory online training and standard terms and conditions in contracts, established in August 2021 for use with any new or varied agreement with service providers for use with both external entities and related parties to ensure that comparable terms are provided to entities and that service providers comply with the UC Code.

#### Offices, staff, branding and promotions

Due to the nature of the broad operations of Power and Water, not all of the Guideline provisions apply.

Under rule 6.17.1B(a)(3) of the NT NER, clauses 4.2.1 Physical separation /co-location, 4.2.2 Staff sharing, and 4.2.3 Branding and cross-promotion of the Guideline currently have no effect in the NT.

Although the office and staff sharing provisions have been derogated by the NT NER, the obligation to maintain a register of staff and office sharing activities in accordance with clause 4.2.4 remains. A register has been established and published, however Power and Water applied to the AER for a waiver pursuant to clause 5.2 from complying with the obligation to maintain and publish a register given the substantive obligation does not apply, which is still pending approval.

### 2.2.3 Information access and disclosure

Power and Water deploys confidentiality collateral to ensure staff are aware of the requirement to use ring-fenced information only for its intended use and not to provide it to affiliated entities.

The Guideline introduces further requirements on how ring-fenced information can be shared, especially with a RESP.

Power and Water engaged in communications with the AER prior to NT Guideline commencement in July 2019, regarding the interpretation and application of clause 4.3.3. Further to this exchange, the AER confirmed that:

- The intent of the Guideline is to prevent a RESP (an affiliate or part of a DNSP offering contestable electricity services) from gaining an advantage either by accessing ring-fenced information or obtaining exclusive access to information not available to competitors of a DNSP's RESP.
- Power and Water's provision of contestable electricity services (including negotiated or unregulated distribution services) from within the Power and Water legal entity, would need to be done in compliance with information access and disclosure requirements in the Guideline.
- The Guideline does not prevent staff of Power and Water from accessing information about non-electricity services (e.g. water services). This information is not ring-fenced information.
- The exemption in clause 4.3.3(c) of the Guideline allows the sharing of ring-fenced information within its business as a DNSP if this is necessary to provide its distribution services, its transmission services, or its other services. This was consistent with Power and Water's proposed interpretation.
- Clause 4.3.4 of the Guideline continues to apply to Power and Water where the disclosure is not necessary to enable Power and Water to provide its distribution services, its transmission services, or its other services. That is, where a DNSP shares ring-fenced information with a RESP, the DNSP must provide access to that ring-fenced information to other legal entities on an equal basis (excluding to certain permitted circumstances under 4.3.3).

Power and Water has published and maintains an Information Sharing Protocol and Information Sharing Register on its website. The Information Sharing Protocol outlines the process of when Ring-fenced Information is requested and disclosed, who it can be provided to, the assessment made to disclose it and the consequential process if Power and Water receives a request from any third party to share such information as required under 4.3.4 of the Guideline.

Power and Water will continue to embed and continuously improve the control environment to mature its approach to comply with the Guidelines.

## 2.2.4 Waivers

Section 5 of the Guideline allows for DNSPs to seek a waiver of obligation under Section 3.1, 4.2 and/or 4.4.1(a) of the Guideline if certain conditions are met.

Power and Water has established and maintains a Waiver Register (including any variations) granted by the AER on its website. In November 2021 Power and Water, pursuant to clause 5.2 of the Guideline, applied for a waiver from three clauses of the Guideline:

- 4.2.4 – publication of office and staff register;
- 4.4.1(a) – ring-fenced information protection in new agreements (as far as it relates to contracts which may be renewed or varied – we have developed these clauses for new agreements); and
- 6.2.3 (a new clause under version 3 of the Guidelines) relating to the requirements for a distribution network service provider to maintain and keep a register of regulated stand-alone power systems.

As at 2 February 2022, a waiver had not been granted, and no further waivers have been granted during the period 1 July 2020 to 2 February 2022.

## 2.3 Application to different categories of services

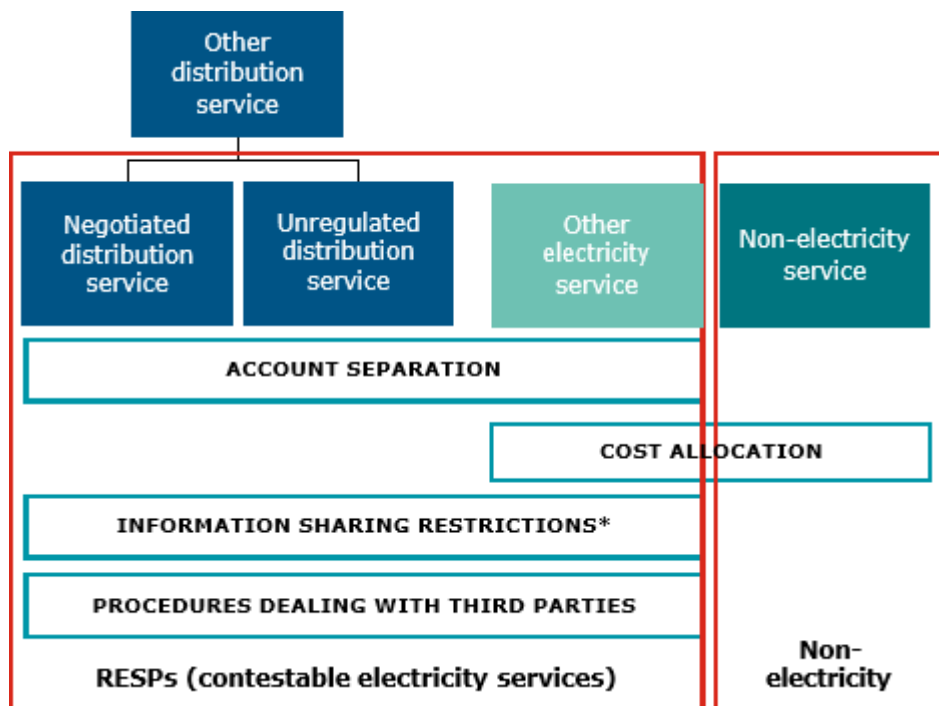
Power and Water currently provides multi-utility services across the NT, and as such not all of Power and Water's electricity service activities are regulated by the AER. The application of the Guideline must be considered in the context of all the services Power and Water provides across its business. The Guideline includes derogations removing legal and functional separation requirements and as a result, does not of itself preclude the centralisation of functions or the use of common staff or systems. In particular:

- Requirements to functionally and legally separate do not apply – the sharing of staff, premises, and co-branding in the delivery of services is permitted
- Power and Water's non-electricity services (e.g. water services and gas) are not captured as RESPs, and the AER has confirmed that the restrictions on the disclosure of confidential information are not relevant to the extent information is shared for the purposes of providing those services (the UC Code requirement regarding cost allocation will apply).

The Guideline still places obligations on Power and Water in respect of compliance and reporting and sharing of information, particularly with respect to electricity services.

The following diagram identifies how the Guideline’s obligations apply to Power and Water’s RESPs and non-electricity services.

**Diagram 2: Ring fencing obligations by service classification in the Northern Territory**



\* The AER, in communications with Power and Water in 2019, confirmed that:

*To the extent that Power and Water offers non-electricity services, we agree with Power and Water’s view that restrictions on disclosure of confidential information under clause 4.3 of the Guideline are not relevant. Staff providing these services can be considered to be part of the DNSP for the purpose of clause 4.3.3 of the Guideline, as they are not required to be legally separated. Clause 4.3.3 states that “A DNSP must not disclose confidential information to any person, including a related electricity service provider [RESP] ...”*

## 2.4 Related electricity service providers (RESPs)

Under the Guideline, Power and Water’s obligations are focussed toward areas of its business that could be considered RESPs. The Guideline captures other distribution services and other electricity services under the definition of contestable electricity services, and therefore lines of business, or affiliated entities providing these services are treated as RESPs. While the definition refers to “contestable” services, it is in fact neutral as to whether or not the other distribution service or other electricity service is provided in a competitive market or whether there is the potential for such a market to develop.

Power and Water’s direct control services (standard control services and alternative control services) and non-electricity services (e.g. water) are excluded from the definition of contestable electricity services and are not captured as RESPs, although the UC Code requirement regarding cost allocation will apply. Power and Water will also need to have regard to obligations under the UC Code with respect to information sharing (subject to exemptions), where considering the disclosure of information to those carrying out other distribution and other electricity services (i.e. those services defined as contestable electricity services).

The Guideline requires Power and Water to:



- Establish and maintain internal accounting procedures so the activities of, and transactions with, RESPs are identifiable and able to be reported upon request
- Apply appropriate cost allocation and attribution between distribution services and other services (i.e. other electricity and non-electricity).
- Not discriminate in favour of a RESP
- Keep ring-fenced information confidential and limit information disclosure and sharing, including with its RESPs.

When identifying the service activities that constitute a RESP for Power and Water in the context of the Guideline, it is important to understand that the following definitions are key:

- In relation to a DNSP, an RESP includes:
  - an affiliated entity of the DNSP; and
  - the part of the DNSP, that provides contestable electricity services but excludes a part of an affiliated entity that provides direct control services.

This applies the concept of a RESP to areas of Power and Water as the DNSP and its affiliates [e.g. related legal entities such as Indigenous Essential Services Pty Ltd (IES) ] that provide contestable electricity services.

- Contestable electricity services mean:
  - other distribution services; and
  - other electricity services.
- Other electricity services mean:
  - services for the supply of electricity or that are necessary or incidental to the supply of electricity, other than transmission services; or
  - distribution services.
- Other distribution services mean:
  - distribution services other than direct control services. This captures negotiated and unregulated distribution services but excludes standard control services and alternative control services as these are direct control services.

## 2.5 Other services

As a multi-utility entity, Power and Water transmits and distributes electricity, and provides water and sewerage services across the Northern Territory.

Power and Water:

- Owns and operates regulated, unregulated, and isolated transmission and distribution network infrastructure.
- Acts as the system controller in the Northern Territory and is responsible for real time operations, operations planning, power system technical assessments, incident reviews, and operational and technical regulatory reporting for the market.
- Provides water services to 18 major and minor urban centres and 72 remote communities across the Northern Territory, operating and maintaining water and sewerage mains.
- Supports remote communities across the Northern Territory with electricity, water, and sewerage services under its not-for-profit subsidiary, IES. IES also provides infill and headworks for major projects for the Department of Territory Families, Housing and Communities under the Remote Housing Program.

To identify areas of Power and Water that could be considered as a RESP and consistent with the definition of a RESP in the Guideline, it is important to understand:

- the services that Power and Water provides across its entire portfolio.

- the entities, business units or teams involved in the provision of those services.

Appendix 2 identifies the:

- services currently provided by Power and Water as a multi-utility.
- classification of distribution services applied by the AER to Power and Water in the current regulatory period. This reflects the classification outlined in the AER's Framework and Approach and confirmed in the AER's Final Decision. It is noted that Power and Water accepted the AER's proposed classification through the determination process.
- likely regulatory treatment of the other services it provides (other electricity and non-electricity). Although the AER does not classify services that it does not regulate, the NT Guideline defines these services for the purposes of ring-fencing.
- the primary operational areas involved in the provision of contestable electricity services and those involved in the provision of non-electricity services.

## 2.6 Transactions with RESPs

Clause 6.2.1(b)iv requires DNSPs to report the purpose of all transactions between the DNSP and its RESPs.

Power and Water transacts with Indigenous Essential Services Pty Ltd (IES). IES is a not-for-profit subsidiary of Power and Water. Transactions between Power and Water and IES are originated using work orders and purchase requisitions. Each work order or purchase requisition has the chart of accounts values that identify the transacting entity and are processed through the Enterprise Resource Platform (ERP) system. This is also applicable to all other RESPs.

Transactions are categorised within Power and Water's systems by cost types as either; Labour; Material; Contractor; Maintenance and transmission; Administration; Fleet; Network Overheads; Corporate Overheads; Dividend Payment; or Other.

## 3 Measures to ensure compliance

Power and Water submitted its first annual compliance report in October 2020 for the reporting period 1 July 2019 to 30 June 2020 (First Compliance Report). The First Compliance Report noted Power and Water was engaged in a discovery phase of its compliance framework to align its compliance activities with the Guideline compliance obligations. The First Compliance Report set out a road map of activities to enhance Power and Water's ring-fencing compliance program in several key high risk areas including:

1. Maintain separate accounts
2. Functional separation
3. Discrimination
4. Information access and disclosure.

### 3.1 Overall compliance statement

Throughout reporting period 1 July 2020 to 2 February 2022, Power and Water worked to establish and strengthen compliance measures and controls as described in Appendix 1 of this report in order to comply with the obligations of the Guideline in accordance with the plan and timeframes outlined in its progress report provided to the AER in April 2021.

Power and Water considers it has complied with the AER Ring-fencing Guideline obligations for the reporting period 1 July 2020 to 2 February 2022 with the exception of breaches reported to the AER as set out in section 3.3 of this report.

Power and Water is committed to maturing its compliance framework, and building on the work undertaken to date. The compliance measures put in place by Power and Water as relevant to the obligations in the Guideline are discussed in this Ring-fencing compliance report.

Appendix 1 of this report provides a full set of controls and measures that Power and Water has in place to support its compliance with the Guideline.

## 3.2 Uplift of ring-fencing compliance management framework

Power and Water is in early stages of adopting the NT NER and as such, we are on a journey to maturing its compliance management framework to better align with the obligations at a national level. Power and Water is committed to evolving its activities to achieve the desired future state, as well as adapting to changes in the business and its operating environment to ensure effective compliance with relevant regulatory obligations.

Power and Water undertook the following activities during the reporting period as part of its ongoing commitment to maturing its compliance with obligations under the Guideline. In undertaking this work, Power and Water was cognisant of the development of Version 3 of the Guideline, and sought to align materials produced with the expected variations in Version 3 of the Guideline:

1. Implementation plan – in line with the proposed roadmap for uplift of ring-fencing compliance management framework, a detailed implementation plan was developed to address key risks areas and auditor recommendations. The plan included deliverables and accountabilities assigned to business units, and progress was regularly reported to the Audit and Risk Management Committee and the Regulation Market Operations Committee, both committees of the Power and Water Board.
2. In July 2020 Deloitte was engaged to prepare a Gap Analysis Report, and to assist with the development of a suite of documents under the Guideline as part of Power and Water's ongoing compliance uplift. The Gap Analysis Report was finalised and delivered on 9 September 2020.
3. Review and upgrade of Power and Water's Procurement Management and Contract Framework. This review and upgrade includes an assessment undertaken of existing contracts to identify those to which the obligation to not discriminate applies, and the development of new standard conditions in August 2021 which have been included in standard contracts for use with all new procurement activity. A comprehensive package of material has also been developed and made fully available in November 2021 to assist staff to understand the obligation not to discriminate and how to ensure the obligation is complied with. The package of material includes a series of information sheets, guidance material, procedures, checklists and forms on how to approach procurement activity, obligations for service providers, management of external service providers, procurement plans for consultancy services and how to undertake direct negotiation.
4. Training and awareness raising - Initial ring-fencing awareness training was rolled out in December 2020 and was mandatory for all Power and Water staff. In April 2021 specific training on Ring-fencing breach reporting requirements was delivered to targeted compliance control areas (i.e. Information Communication Technology, Procurement, Metering and Customer Service). Following roll out of the initial ring-fencing awareness training in December 2020, staff were surveyed to gauge the level of understanding. From the feedback received, a more comprehensive training package was developed and finalised in December 2021, which provides more targeted examples of particular roles and functions performed within Power and Water, and their corresponding ring-fencing obligations information linked to it. This revised training package will be available for staff in July 2022 and will be compulsory for all staff annually. In addition to these specific training modules, a suite of material has been developed to assist staff understand and apply ring fencing obligations in particular circumstances such as procurement and information sharing.
5. Staff and Office Register - Although Power and Water is not required to comply with obligations set out in Clauses 4.2.1, 4.2.2 and 4.2.3 by virtue of the derogations, the obligations to maintain a Register of Staff and Office sharing activities in accordance with Clause 4.2.4 remains. The Staff and Office Register was first published on Power and Water's website on 18 September 2020 in compliance with this obligation, however given the other derogations, the register will not be populated.
6. Waiver Register – in September 2020 a Waiver Register was established and published on the Power and Water website in accordance with obligations under clause 5.7 of the Guideline.
7. Maintenance of Registers - In December 2021 a Maintenance of Registers Procedure was finalised to ensure the effective version control and maintenance of registers.
8. Protection of Ring-Fenced Information – Power and Water reviewed and refreshed its Information Sharing Protocol during the reporting period. In addition to revising the content, the Protocol, Register and application form were separated into separate documents for improved accessibility. In addition to this, an internal procedure has been developed for the management of ring-fenced information internally.
9. The Internal Accounting procedures and controls were reviewed and updated to reflect the accounts and cost allocation obligations under clause 3.2 of the Guideline. This review and update was concluded in January 2022.

10. Compliance Framework and Breach Reporting – Power and Water has undertaken a second line assurance review of controls in place against the Guideline, identifying control weaknesses and developing a plan to improve compliance. This has informed the update of the enterprise compliance framework and configuration of ICT system specifications for reporting and managing breaches.

### 3.3 Breaches

Clause 6.2.1(b)ii of the Guideline requires DNSPs to report any breaches of the Guideline by the DNSP, or which otherwise relate to the DNSP. For the 1 July 2020 to 2 February 2022 reporting period, the following breaches were recorded and reported under current jurisdictional requirements.

Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
INC - 144	3.2.1 Separate accounts and 3.2.2 Cost allocation and attribution	1 July 2019	20 January 2022
<b>Nature of breach</b>		<b>Cause of breach</b>	
<p>During this reporting period, Power and Water has not achieved full compliance with</p> <ol style="list-style-type: none"> <li>1. establishing and maintaining appropriate accounting procedures between Power and Water's regulated network and RESPs as required by 3.2.1; and</li> <li>2. allocating and attributing costs to Power and Water's regulated network in accordance with Cost Allocation Principles and Power and Water's approved CAM as required by 3.2.2</li> </ol> <p>Until 20 January 2022 when the Ring-fencing Accounting and Cost Allocation Procedures were approved.</p>		<p>Power and Water's Asset and Financial Management systems aggregate across service categories rather than transaction level. While the last compliance assurance report recommended transactional level accounting, however, following discussion with the AER it was agreed that to comply with the Guidelines, Power and Water's accounting procedures must ensure that it records the overall value of those transactions, and the prevalence and subject matter of those transactions, rather than each individual transaction.</p>	
<b>Potential impact of breach (on customers and/or contestable market)</b>		<b>Remediation action taken</b>	
<p>Power and Water have assessed the impact of the breach in accordance with the AER best practice manual as having a relatively low level of potential harm on competitive market &amp; consumers.</p>		<p>Power and Water has consulted with the AER to determine application of 3.2.1 and 3.2.2 with regards to Power and Water's unique operating environment. Advice was received from the AER on 30 September 2021 that provided clarity and guidance in how to achieve compliance.</p> <p>Power and Water finalised the establishment of accounting procedures and associated allocation and attribution of costs on 20 January 2022.</p>	
Date breach identified	Method of identification	Other past breaches of this obligation	Any other relevant information
23 June 2021	Identified internally	-	-

Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
INC - 145	4.1 Obligation to not discriminate and 4.4 Service Providers	1 July 2019	On-going
<b>Nature of breach</b>		<b>Cause of breach</b>	
<p>During this reporting period, Power and Water has not achieved full compliance with</p> <ol style="list-style-type: none"> <li>1. Relevant standard terms and conditions in Power and Water's contracts as required by 4.1; and</li> </ol>		<p>A review identified the need to update Power and Water's standard terms and conditions in contracts with service providers to ensure compliance with 4.1 of the Guideline and to ensure any new or varied agreement with service providers</p>	

2. Ensuring that any new or varied agreement with service providers requires compliance with relevant standard terms and conditions as required by 4.4.4(a)		requires compliance with relevant standard terms and conditions.	
<b>Potential impact of breach (on customers and/or contestable market)</b>		<b>Remediation action taken</b>	
Power and Water have assessed the impact of the breach in accordance with the AER best practice manual as having a relatively low level of potential harm on competitive market & consumers.		<p>Power and Water have undertaken an impact assessment and consulted with the AER to determine the best course of action. AER agreed that a waiver application would allow time to implement a longer-term approach to existing contracts. Power and Water updated the Standard contract suite to reflect ring-fencing requirements and updated Power and Water's webpage and intranet - Aug 2021.</p> <p>Developed an external facing ring-fencing information sheet for services providers, published on the internet - Aug 2021. and developed an internal ring-fencing explanatory guide of Power and Water services and their treatment under the Guideline - Nov 2021.</p> <p>Applied for a waiver from the AER in November 2021 to allow time to determine a pragmatic approach for implementing grandfathering arrangements for contracts requiring renewal or variation.</p>	
<b>Date breach identified</b>	<b>Method of identification</b>	<b>Other past breaches of this obligation</b>	<b>Any other relevant information</b>
20 November 2020	External Audit	-	-

<b>Breach Number</b>	<b>Clause of Guideline breached</b>	<b>Breach start date</b>	<b>Breach end-date</b>
INC - 146	4.3 Information sharing	1 July 2019	15 February 2022
<b>Nature of breach</b>		<b>Cause of breach</b>	
<p>During this reporting period, Power and Water has not achieved full compliance with</p> <ol style="list-style-type: none"> <li>1. non-disclosure obligations as required by 4.3.3; and</li> <li>2. information sharing protocols as required by 4.3.4</li> </ol> <p>Until 15 February 2022 (outside the reporting period) when the information sharing protocol was approved and published on the intranet.</p>		A review identified that Power and Water's ICT systems lack the capability to enable active monitoring of large volumes of data and records between direct control services regulated by the AER and RESPs.	
<b>Potential impact of breach (on customers and/or contestable market)</b>		<b>Remediation action taken</b>	
Power and Water have assessed the impact of the breach in accordance with the AER best practice manual as having a relatively low level of potential harm on competitive market & consumers.		<p>Power and Water has consulted with the AER to determine application of 4.3.3 and 4.3.4 with regards to Power and Water's unique operating environment. Advice was received from the AER on 30 September 2021 that provided clarity and guidance in how to achieve compliance.</p> <p>Following advice from the AER, Power and Water has established and published an information sharing protocol under clause 4.3.4(b). The protocol ensures Power and Water complies with non-disclosure obligation except when a RESP requests information. Where information is requested by a RESP, the request (but not the information itself) is recorded on the information register under clause 4.3.5.</p>	

Date breach identified	Method of identification	Other past breaches of this obligation	Any other relevant information
23 June 2021	Identified Internally	-	-

Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
I22060	4.3.2 - Obligation to protect confidential information	30/04/2021	30/04/2021

Nature of breach	Cause of breach
Nine days of customers meter data was accidentally sent to the new Retailer prior to the transfer date. The customer transfer occurred on 30th of April 2021 and the meter data was provided from the 21st of April 2021.	The Customer meter data was sourced by the Metering function and provided to the Market Operator with an additional nine days of customer meter data. The Market Operator has not identified this error and inadvertently provided the additional data to the new retailer.

Potential impact of breach (on customers and/or contestable market)	Remediation action taken
This incident involved one customer and one retailer. The impact on customers and/or contestable market have been assessed as non-material in accordance with the AER best practice manual as new retailers have visibility of customer loads once they become the responsible Retailer for a customer.	The Market Operator has addressed the error by providing the correct meter data which has been confirmed as correct by the Retailer and Metering Function.

Date breach identified	Method of identification	Other past breaches of this obligation	Any other relevant information
6/05/2021	Identified internally	I22063	

Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
I22063	4.3.2 - Obligation to protect confidential information	27/05/2021	27/05/2021

Nature of breach	Cause of breach
Five days of customers meter data was accidentally sent to the new Retailer prior to the transfer date. The customer transfer occurred on 31th of May 2021 and the meter data was provided from the 27th of May 2021.	The Customer meter data was sourced by the Metering function and provided to the Market Operator with an additional five days of customer meter data. The Market Operator has not identified this error and inadvertently provided the additional data to the new retailer.

Potential impact of breach (on customers and/or contestable market)	Remediation action taken
This incident involved one customer and one retailer. The impact on customers and/or contestable market have been assessed as non-material as new retailers have visibility of customer loads once they become the responsible Retailer for a customer.	The Market Operator has addressed the error by providing the correct meter data which has been confirmed as correct by the Retailer and Metering Function.

Date breach identified	Method of identification	Other past breaches of this obligation	Any other relevant information
3/06/2021	Identified internally	I22060	-

Breach Number	Clause of Guideline breached	Breach start date	Breach end-date
I22607	4.3.2 - Obligation to protect confidential information	1/03/2021	19/03/2021

Nature of breach	Cause of breach
18 days of customers meter data was accidentally sent to the new Retailer prior to the transfer date. The customer transfer occurred on 19 March 2021 and the meter data was provided from the 1 March 2021 to 18 March 2021.	The Customer meter data was sourced from Power and Water's Retail Management System and provided to the retailer with an additional 18 days of customer meter data. The Power and Water Billing Function had

Power and Water were unaware of the error and were notified by the Churn retailer in July 2021.		not identified this error and inadvertently provided the additional data to the churn retailer.	
<b>Potential impact of breach (on customers and/or contestable market)</b>		<b>Remediation action taken</b>	
This incident involved one customer and one retailer. The impact on customers and/or contestable market have been assessed as non-material as new retailers have visibility of customer loads once they become the responsible Retailer for a customer.		Power and Water has addressed the error by providing the correct meter data which has been confirmed as correct by the Retailer. Preventative validation and detective checks have been put in place to address this issue. Updated work instructions and training have been provided to the Billing Specialists who process churns.	
<b>Date breach identified</b>	<b>Method of identification</b>	<b>Other past breaches of this obligation</b>	<b>Any other relevant information</b>
27/07/2021	Notified by retailer	I23989	-
<b>Breach Number</b>	<b>Clause of Guideline breached</b>	<b>Breach start date</b>	<b>Breach end-date</b>
I23989	4.3.2 - Obligation to protect confidential information	1/09/2021	20/09/2021
<b>Nature of breach</b>		<b>Cause of breach</b>	
20 days of customer meter data was accidentally sent to the new Retailer prior to the transfer date. The customer transfer occurred on 21 September 2021 and the meter data was provided from 1 September 2021 to 20 September 2021. Power and Water were unaware of the error and were notified by the Churn retailer in December 2021.		The Customer meter data was sourced from Power and Water's Retail Management System and provided to the retailer with an additional 20 days of customer meter data. An investigation confirmed that the Preventative validation and detective checks were performed as detailed in the work instruction however had not identified this error and as a result inadvertently provided the additional data to the churn retailer. The investigation was not able to determine the root cause of the error.	
<b>Potential impact of breach (on customers and/or contestable market)</b>		<b>Remediation action taken</b>	
This incident involved one customer and one retailer. The impact on customers and/or contestable market have been assessed as non-material as new retailers have visibility of customer loads once they become the responsible Retailer for a customer.		Advised retailer to disregard the data received. Manual validations and checks have been put in place internally to address this issue. Validation during monthly interval billing added in the process to confirm correct data is uploaded for churned accounts during the month, via the reconciliation spreadsheet that is used by the Billing Specialists, until implementation of Meter to Cash system. Work instructions and training provided to the Billing Specialists.	
<b>Date breach identified</b>	<b>Method of identification</b>	<b>Other past breaches of this obligation</b>	<b>Any other relevant information</b>
6/12/2021	Notified by retailer	I22607	-
<b>Breach Number</b>	<b>Clause of Guideline breached</b>	<b>Breach start date</b>	<b>Breach end-date</b>
INC - 147	6.1 maintaining compliance	1 July 2019	Ongoing
<b>Nature of breach</b>		<b>Cause of breach</b>	
During this reporting period, Power and Water has not achieved full compliance with establishing or maintaining an appropriate control environment		A review identified that Power and Water's breach register, procedure and obligation register were not set-up to record breaches against AER ring-fencing obligations and that ring-fencing training had not been delivered to employees.	



to ensure compliance with the guideline as required by clause 6.1.			
<b>Potential impact of breach (on customers and/or contestable market)</b>		<b>Remediation action taken</b>	
Power and Water have assessed the impact of the breach in accordance with the AER best practice manual as having a relatively low level of potential harm on competitive market & consumers.		<p>Power and Water undertook a second line assurance review of controls in place against the Guideline to identify control weakness and plan to improve compliance and finalised the development of online training.</p> <p>Power and Water delivered on-line ring-fencing training in December 2020 and updated the obligation register to reflect the Guideline obligations, updated the non-compliance event management procedure, compliance obligation procedure and current system to reflect the Guideline requirements by March 2021.</p>	
<b>Date breach identified</b>	<b>Method of identification</b>	<b>Other past breaches of this obligation</b>	<b>Any other relevant information</b>
20 November 2020	External Audit	-	-





# Appendix 1 – Compliance controls and measures

Power and Water’s has identified all applicable obligations that apply and assigned Accountable and Responsible Managers who have operational control over the activity or work area where each of the relevant applicable obligations arise. Where controls exist they have been assigned to applicable obligations in the Guideline to which they primarily apply. In the absence of specific and/or documented controls in place to address Guideline requirements improvement measures have been identified and are outlined below.

Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
3.1 Legal separation	There are no completed improvement measures related this obligation.	Power and Water has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER	Not applicable	There are no open improvement measures related this obligation.	Not applicable
3.2.1 Separate accounts	Power and Water has <ul style="list-style-type: none"> <li>finalised the establishment of accounting procedures and associated allocation and attribution of costs.</li> </ul>	Power and Water has the following <b>Preventative controls</b> <ul style="list-style-type: none"> <li>Cost Allocation Methodology (CAM) as approved by the AER</li> <li>Cost Allocation Management Program and Principles.</li> <li>Accounting and Cost Allocation Procedure</li> <li>AER Ring Fencing Information Sharing Register published on the website</li> <li>AER Ring Fencing Information Sharing Protocol published on the website</li> <li>Established process for reviewing, updating, and maintaining the accuracy of information contained in the information sharing register</li> </ul>	Requires Improvement	Control status is reflective of the reporting period, there are no open improvement measures related this obligation.	Non-compliant
3.2.2 Cost allocation and attribution	Power and Water has <ul style="list-style-type: none"> <li>finalised the establishment of accounting procedures and associated allocation and attribution of costs.</li> </ul>	Power and Water has the following <b>Preventative controls</b> <ul style="list-style-type: none"> <li>Cost Allocation Methodology (CAM) as approved by the AER</li> <li>Cost Allocation Management Program and Principles.</li> <li>Accounting and Cost Allocation Procedure</li> <li>AER Ring Fencing Information Sharing Register published on the website</li> <li>AER Ring Fencing Information Sharing Protocol published on the website</li> <li>Established process for reviewing, updating, and maintaining the accuracy of information contained in the information sharing register</li> </ul> Detective control <ul style="list-style-type: none"> <li>Cost Allocation Model reviewed and validated annually by an external regulatory consultant.</li> </ul>	Requires Improvement	Control status is reflective of the reporting period, there are no open improvement measures related this obligation.	Non-compliant
4.1 Obligation to not discriminate (B and C)	Power and Water has <ul style="list-style-type: none"> <li>Assessed and separated (where possible) contestable electricity services, which are subject to competition and contestable electricity services which are defined under the guideline but do not pose risk of discrimination due to the lack of a competition. (AERRF20-01.a)</li> <li>Updated Power and Water’s Ring-fencing webpage (public facing) to reflect assessment outcomes and application of Guideline. (AERRF20-01.b)</li> <li>Undertaken an impact assessment of existing contracts to gain an understanding of the types of contracts impacted by the Guideline and subject to ever green clauses which may require immediate consideration against Guideline. (AERRF20-02.a)</li> <li>Developed necessary Guideline clause for inclusion in new, varied and relevant existing contracts. (AERRF20-02.b)</li> <li>Developed a management decision-making tree framework to apply in procurement contract negotiations to identify contracts with a supplier that require the Guideline clause/information pamphlet. (AERRF20-02.c)</li> <li>Advised on how various contracts need to be updated in light of the Deloitte recommendations. (AERRF20-02.d)</li> <li>Developed and implemented the change management plan for</li> </ul>	Power and Water has the following <b>Preventative controls</b> <ul style="list-style-type: none"> <li>AER Ring-fencing website (external facing)</li> <li>AER ring fencing guidelines Fact Sheet (external facing)</li> <li>Mandatory online training on AER ring fencing in ELMO system</li> <li>AER Ring-Fencing Explanatory Guide (internal facing) that outlines the assessment of contestable services.</li> <li>AER ring fencing guidelines Fact Sheet (internal facing)</li> <li>Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines.</li> <li>Contracts with external service providers that include standard terms and conditions</li> <li>Procurement templates approved by Legal for the use of all procurement activities.</li> <li>Enterprise electronic document management system, Content Manager 9, has access restrictions on sensitive records</li> </ul> <b>Detective controls</b> <ul style="list-style-type: none"> <li>Governance Team undertakes a process compliance checklist for procurement activities.</li> </ul>	Requires Improvement	Power and Water’s planned improvements to control effectiveness include <ul style="list-style-type: none"> <li>AER Ring-Fencing training, information awareness sessions. (AERRF20-06.b)</li> <li>Embedding changes and ensure updated templates and documents are used in all new contracts, at renewal and variations of contracts moving forward. (AERRF20-06.c)</li> </ul>	Non-compliant



Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
	<p>the update of existing, new and varied contracts to include a standard clause which will adhere to the requirements of the Guideline. Priority to be allocated to new, varied and renewal agreements. (AERRF20-03)</p> <ul style="list-style-type: none"><li>Developed a fact sheet for use by Procurement Team to ensure consistency of application and compliance with the Guidelines. (AERRF20-05.a)</li><li>Delivering information awareness sessions with Procurement Team. (AERRF20-05.b)</li><li>Delivering awareness training for service providers who are likely to be subject to Guideline requirements, for example access to a portal to review Power and Water's ring-fencing requirements or a link to the website with do and don't consideration. (AERRF20-05.c)</li><li>Incorporate changes from agreement templates, guidelines and fact sheet into internal processes and updating internal checklists to reflect changes. (AERRF20-06.a)</li><li>General AER Ring-fencing awareness training was rolled out in December 2020 as a mandatory training module across all Power and Water staff. (AERRF20-07)</li><li>Further developed AER Ring-Fencing training module and undertaken training needs analysis to determine which staff require the Guideline or Guideline tailored training, development of content specific to impacted teams, method of training delivery, and inclusion of example scenarios. (AERRF20-08)</li><li>Implemented controls in the ELMO online training system to set training requirements for new and existing Power and Water team members and key service providers including the frequency of training, monitor feedback survey post-training to ensure obligations are clearly understood; and maintenance of training records. (AERRF20-09)</li></ul>				
4.2.1 Physical separation / co-location	There are no completed improvement measures related this obligation.	Power and Water Corporation has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable	There are no open improvement measures related this obligation.	Not applicable
4.2.2 Staff sharing	There are no completed improvement measures related this obligation.	Power and Water Corporation has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable	There are no open improvement measures related this obligation.	Not applicable
4.2.3 Branding and cross-promotion	There are no completed improvement measures related this obligation.	Power and Water Corporation has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable	There are no open improvement measures related this obligation.	Not applicable
4.2.4 Office and staff registers	<p>Power and Water has</p> <ul style="list-style-type: none"><li>Updated the office and staff sharing registers to include a version control number and confirm it is effective for the purpose of the Guideline and being maintained and updated. (AERRF20-10)</li><li>Established a process for reviewing, updating, and maintaining the accuracy of information contained in information sharing, complaints and office and staff registers - including who is responsible for maintaining the registers. (AERRF20-31)</li><li>Developed a workflow for the effective use of the information sharing, complaints and office and staff registers to ensure full disclosure of potential Guideline non-compliance is fully disclosed, where future programs of work are impacting timely update of ICT policies, procedures and key systems. (AERRF20-31)</li></ul>	<p>Power and Water has</p> <p><b>Preventative controls</b></p> <ul style="list-style-type: none"><li>AER Ring-fencing website (external facing)</li><li>Mandatory online training on AER ring fencing in ELMO system</li><li>AER Ring Fencing Staff and Office sharing Register published on the website.</li><li>Established process for reviewing, updating, and maintaining the accuracy of information contained in the staff and office sharing register</li></ul>	Requires Improvement	Control status is reflective of the reporting period, there are no open improvement measures related this obligation.	Compliant
4.3.2 Protection of confidential information	<p>Power and Water has</p> <ul style="list-style-type: none"><li>Established the definitions of confidential information which is aligned to requirements under the Guideline and communicated the policy and provided support to impacted areas/teams. (AERRF20-11.a)</li><li>Identified relevant policies and procedures across Power and Water that will be required to be updated to ensure alignment with Guideline requirements. (AERRF20-11.b)</li><li>Reviewed and refreshed Information Sharing Protocol to reflect</li></ul>	<p>Power and Water has</p> <p><b>Preventative controls</b></p> <ul style="list-style-type: none"><li>AER Ring-fencing website (external facing)</li><li>AER ring fencing guidelines Fact Sheet (external facing)</li><li>Mandatory online training on AER ring fencing in ELMO system</li><li>AER Ring Fencing Information Sharing Register published on the website</li><li>AER Ring Fencing Information Sharing Protocol published on the</li></ul>	Requires Improvement	<p>Power and Water's planned improvements to control effectiveness include</p> <ul style="list-style-type: none"><li>Ensuring that definitions of confidential information is considered in implementation of new systems/projects (AERRF20-13)</li><li>Conducting a review of internal processes within the Records Management team to identify gaps and implement changes ensuring controls are in place to monitor non -compliance with the Guideline. This will include an update of relevant procedure documentation and work instructions. (AERRF20-14)</li></ul>	Non-compliant



Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
	<p>relevant aspects of the Finance Ring-Fencing Code restrictions in consultation with Finance. (AERRF20-12)</p> <ul style="list-style-type: none"><li>Established and allocate monitoring of business adherence to the Information Sharing protocol and the work procedures established to outline Power and Water’s process regarding sharing confidential information under the Guideline. (AERRF20-18)</li></ul>	<p>website</p> <ul style="list-style-type: none"><li>Established process for reviewing, updating, and maintaining the accuracy of information contained in the information sharing register</li><li>Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines.</li><li>Contracts with external service providers that include standard terms and conditions</li><li>Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information.</li><li>Established process for Data delivery during settlements.</li><li>Metering team responsible for the Security of metering data procedure which includes, password protection for interval meters, System for meter reads and secure front end.</li><li>Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy.</li><li>Customer Experience and Operations on boarding process which includes a briefing on ring-fencing</li></ul> <p><b>Detective controls</b></p> <ul style="list-style-type: none"><li>Operational Audit program for metering operations</li><li>Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification</li><li>Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail Management System</li></ul>		<ul style="list-style-type: none"><li>Conducting a review of the T3.03 EA Application Catalogue to ensure document is refreshed and up to date. (AERRF20-15)</li><li>Conducting a review of the Data classification register to ensure register is refreshed and up to date. (AERRF20-16)</li><li>Conducting a review of the various business unit access to ICT systems environment and process map to ensure document is refreshed and up to date. (AERRF20-17)</li><li>Recruiting to a Quality Assurance role in the customer experience team. (AERRF20-19)</li><li>Developing procedures in relation to quality assurance reviews to be performed in the customer experience area; this will include: definitions and treatment of confidential information, and an understanding who has access to types of information. (AERRF20-20)</li><li>Implementing Meter to Cash project to achieve visibility and audit trail, and assist with improvement of systems. (AERRF20-21)</li><li>Implementing a Meter Data Management system (as part of the Meter to Cash project) which aims to improve automation and reduce manual data entry. (AERRF20-22)</li><li>Conducting a review and ensure Metering team’s compliance with Protection of confidential information and Disclosure of information clauses, to the extent of Metering team’s accountability. (AERRF20-23)</li><li>Implement the Market Interaction Enablement program simultaneously with the Meter to Cash project, which once complete will require all information to pass through this program. (AERRF20-24)</li></ul>	
4.3.3 Disclosure of information	<p>Power and Water has</p> <ul style="list-style-type: none"><li>Implemented an Operational Audit program of metering operations. (AERRF20-28)</li><li>Reinforced understanding of confidential information and disclosure/sharing of confidential information via tool box meeting with metering area of operations. (AERRF20-29)</li></ul>	<p>Power and Water has</p> <p><b>Preventative controls</b></p> <ul style="list-style-type: none"><li>AER Ring-fencing website (external facing)</li><li>AER ring fencing guidelines Fact Sheet (external facing)</li><li>Mandatory online training on AER ring fencing in ELMO system</li><li>Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines.</li><li>Contracts with external service providers that include standard terms and conditions</li><li>Access to metering data procedure</li><li>Third Party Access request for data procedure</li><li>Delivery of metering data procedure</li><li>Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information.</li><li>Business to Business Procedure which outlines interactions between Power and Water and Jacana.</li><li>ICT System Retail management system with access controls</li></ul> <p><b>Detective controls</b></p> <ul style="list-style-type: none"><li>Operational Audit program for metering operations</li><li>Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification</li></ul>	Requires Improvement	<p>Power and Water’s planned improvements to control effectiveness include</p> <ul style="list-style-type: none"><li>Implement the Market Interaction Enablement program simultaneously with the Meter to Cash project, which once complete will require all information to pass through this program. (AERRF20-24)</li><li>A review of Business to Business procedures to include retailers other than Jacana Energy will be undertaken as part of broader Capability Uplift project (AERRF20-25)</li><li>Implementing improvements in training and on boarding process, knowledge base and work instruments once definitions of confidential information and requirements under the Guideline are established. (AERRF20-26)</li><li>Finalising and implementing training for impacted Metering team members with outputs used as an ongoing induction tool. (AERRF20-27)</li></ul>	Non-compliant



Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"><li>Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail Management System</li></ul>			
4.3.4 Sharing of information	<p>Power and Water has</p> <ul style="list-style-type: none"><li>Reviewed and refreshed its AER Ring fencing Information Sharing Protocol to reflect relevant aspects of the Finance Ring-Fencing Code restrictions. (AERRF20-12)</li></ul>	<p>Power and Water has</p> <p><b>Preventative controls</b></p> <ul style="list-style-type: none"><li>AER Ring-fencing website (external facing)</li><li>AER ring fencing guidelines Fact Sheet (external facing)</li><li>Mandatory online training on AER ring fencing in ELMO system</li><li>AER Ring Fencing Information Sharing Register published on the website</li><li>AER Ring Fencing Information Sharing Protocol published on the website</li><li>Established process for reviewing, updating, and maintaining the accuracy of information contained in the information sharing register</li><li>AER Ring fencing Guideline Accounting and Cost Allocation Procedures</li><li>Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines.</li><li>Contracts with external service providers that include standard terms and conditions</li><li>Metering team responsible for the access to metering data procedure, third party access request for data procedure and delivery of metering data procedure.</li><li>Business to Business Procedure which outlines interactions between Power and Water and Jacana.</li><li>ICT System Retail management system with access controls</li></ul> <p><b>Detective controls</b></p> <ul style="list-style-type: none"><li>Operational Audit program for metering operations</li><li>Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification</li><li>Customer Experience and Operations Billing Specialists responsible for checking information disclosed.</li></ul>	Requires Improvement	Power and Water has 11 planned improvements to control effectiveness listed above 4.3.2 that also improve controls for this obligation.	Non-compliant
4.3.5 Information register	<p>Power and Water has</p> <ul style="list-style-type: none"><li>Updated the information register to include a version control number and confirm it is effective for the purpose of the Guideline and is being maintained and updated. (AERRF20-30)</li><li>Established a process for reviewing, updating, and maintaining the accuracy of information contained in information sharing, complaints and office and staff registers - including who is responsible for maintaining the registers. (AERRF20-31.a)</li><li>Developed a workflow for the effective use of the information sharing, complaints and office and staff registers to ensure full disclosure of potential Guideline non-compliance is fully disclosed, where future programs of work are impacting timely update of ICT policies, procedures and key systems. (AERRF20-31.b)</li></ul>	<p>Power and Water has</p> <p><b>Preventative controls</b></p> <ul style="list-style-type: none"><li>AER Ring-fencing website (external facing)</li><li>Mandatory online training on AER ring fencing in ELMO system</li><li>AER Ring Fencing Information Sharing Register published on the website</li><li>AER Ring Fencing Information Sharing Protocol published on the website.</li><li>Established process for reviewing, updating, and maintaining the accuracy of information contained in the information sharing register</li></ul>	Requires Improvement	Control status is reflective of the reporting period, there are no open improvement measures related this obligation.	Compliant
4.4 Service providers	<p>Power and water has</p> <ul style="list-style-type: none"><li>Incorporated changes from agreement templates, guidelines and fact sheets into internal processes and update internal checklists to reflect changes. (AERRF20-06)</li></ul>	<p>Power and Water has</p> <p><b>Preventative controls</b></p> <ul style="list-style-type: none"><li>Standard conditions of contract suite with contract clauses to ensure compliance with AER ring fencing guidelines</li><li>Contracts with external service providers that include standard terms and conditions</li><li>AER Ring-fencing website (external facing)</li></ul>	Requires Improvement	<p>Power and Water's planned improvements to control effectiveness include</p> <ul style="list-style-type: none"><li>Training, information awareness sessions and embedding changes, ensuring updated templates and documents are used in all new contracts, at renewal and variations of contracts moving forward. (AERRF20-05)</li></ul>	Non-compliant



Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"><li>AER ring fencing guidelines Fact Sheet (external facing)</li><li>Mandatory online training on AER ring fencing in ELMO system</li><li>AER Ring-Fencing Explanatory Guide (internal facing) outlines that the assessment of contestable services</li><li>AER ring fencing guidelines Fact Sheet (internal facing)</li><li>Procurement templates approved by Legal for the use of all procurement activities.</li><li>Enterprise electronic document management system, Content Manager 9, has access restrictions on sensitive records.</li></ul> <p><b>Detective controls</b></p> <ul style="list-style-type: none"><li>Governance Team undertakes a process compliance checklist for procurement activities.</li></ul>			
5 Waivers	Power and Water has <ul style="list-style-type: none"><li>Updated the waiver register to include a version control number and confirm it is effective for the purpose of the Guideline and that it is being maintained and is updated. (AERRF20-32)</li></ul>	Power and Water's current <b>Preventative controls</b> <ul style="list-style-type: none"><li>Under the derogations in place for the NT, the waivers have not been actively developed however a waiver register and procedure is in place.</li><li>A ring-fencing Waiver Register outlines all waivers and is published on the Power and Water's ring-fencing webpage.</li><li>A ring-fencing Waiver Register procedure outline the process for maintaining the register.</li></ul>	Requires Improvement	Control status is reflective of the reporting period, there are no open improvement measures related this obligation.	Compliant
6.1 Maintaining compliance	Power and Water has <ul style="list-style-type: none"><li>Undertaken a second line assurance review of controls in place against the Guideline, identifying control weaknesses and developing a plan to improve compliance. (AERRF20-33)</li><li>Updated key compliance procedures to include reference to AER Ring-Fencing Guideline and align with requirements where needed. (AERRF20-34 and AERRF20-35)</li><li>Configured and implemented the Compliance ICT System (HERC System) to meet the requirements of the AER Ring-fencing best practice manual for reporting breaches where possible. (AERRF20-37)</li><li>Updated general compliance training for all employees and management to include AER Ring-Fencing definitions in training delivered by Compliance team. (AERRF20-38)</li></ul>	Power and Water's current <b>Preventative controls</b> <ul style="list-style-type: none"><li>Compliance Obligation Register that outlines controls including procedures for maintaining compliance with the guideline against each area of responsibility.</li><li>General compliance training for all employees and management to include AER Ring-Fencing breach definitions in training delivered by Compliance team.</li><li>On boarding process which includes training on ring-fencing obligations delivered via the ELMO System and completion rates monitored via system reporting.</li></ul> <p><b>Detective controls</b></p> <ul style="list-style-type: none"><li>Periodic compliance review process of guideline obligations, outlined in the compliance obligation management procedure.</li><li>Periodic compliance attestation process of current levels of compliance and control effectiveness outlined in the compliance attestation procedure.</li></ul> <p><b>Corrective controls</b></p> <ul style="list-style-type: none"><li>Non-compliance reporting procedure and system that captures and monitors reported non-compliance, outlines steps for reporting and requirements for investigation and corrective action.</li></ul>	Requires Improvement	Power and Water's planned improvements to control effectiveness include <ul style="list-style-type: none"><li>Finalising the development of the control verification procedure and implement the process in parallel with existing second line assurance activities. (AERRF20-39)</li><li>Management review of enterprise compliance framework to align to the new International Standard ISO 37301 Compliance Management Systems.</li><li>Management review of NT NER Compliance Register to update changes in requirements, identify and develop area's of control weakness and improve levels of compliance via the NT NER Compliance Uplift Project to update.</li></ul>	Non-compliant
6.2 Compliance reporting	Power and Water has <ul style="list-style-type: none"><li>Commenced development of an annual compliance report procedure, which includes processes to incorporate report extracts from across the business, and compilation of data for completion of the report.</li></ul>	Power and Water's current <b>Preventative controls</b> <ul style="list-style-type: none"><li>Compliance reporting template designed to report compliance with the Guideline in line with the compliance reporting best practice manual.</li><li>Compliance Obligation Register that outlines controls, control effectiveness and levels of compliance for each guideline element against each area of responsibility. This register is used to produce</li></ul>	Requires Improvement	Power and Water's planned improvements to control effectiveness include <ul style="list-style-type: none"><li>Finalising the development of an annual compliance report procedure, which includes processes to incorporate report extracts from across the business, and compilation of data for completion of the report. (AERRF20-40)</li></ul>	Compliant



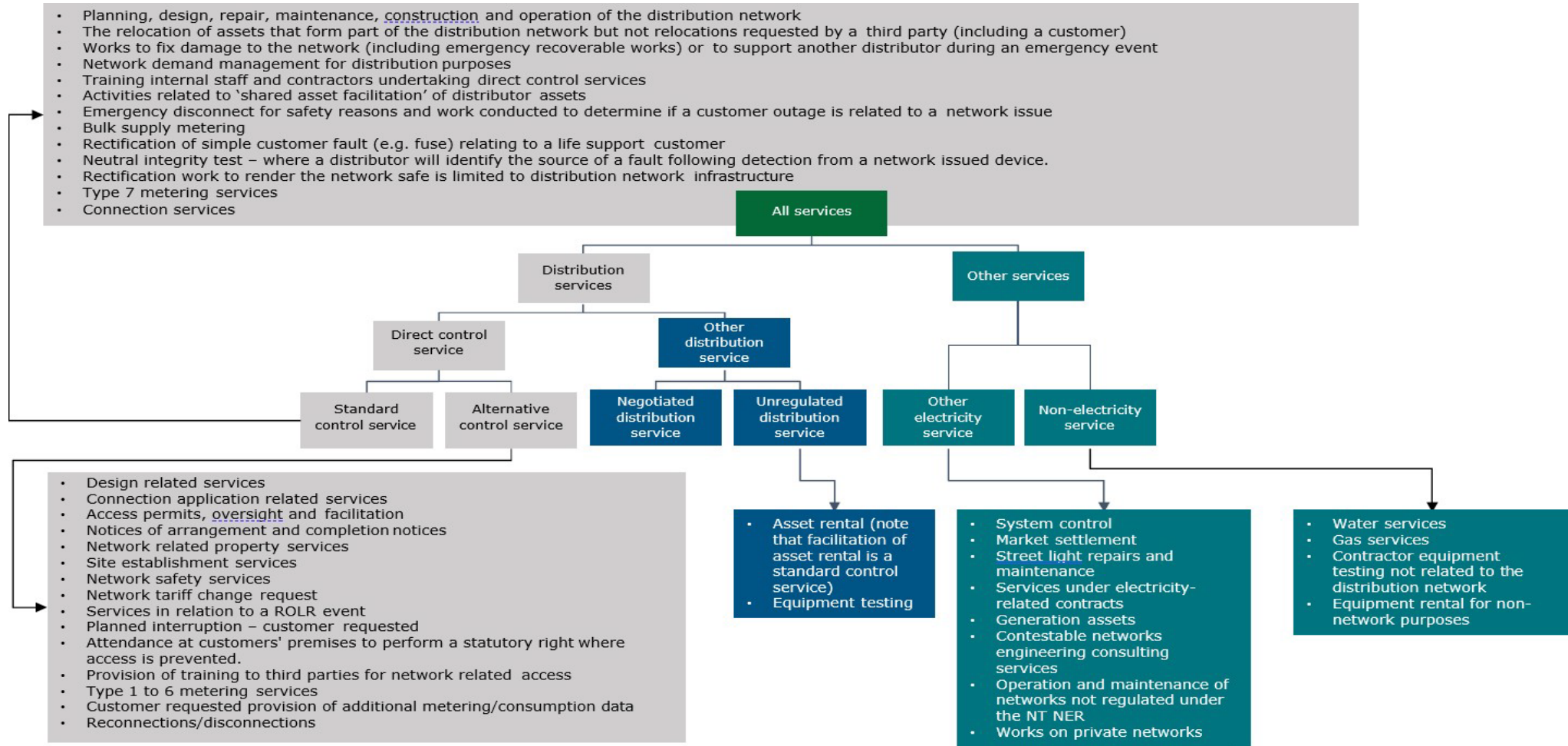


Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<p>reports on levels of compliance and control effectiveness.</p> <p><b>Detective controls</b></p> <ul style="list-style-type: none"><li>Periodic compliance review process of guideline obligations, outlined in the compliance obligation management procedure to determine levels of compliance and control effectiveness for reporting.</li></ul> <p><b>Corrective controls</b></p> <ul style="list-style-type: none"><li>Non-compliance reporting procedure and system that captures and monitors reported non-compliance for the purpose of reporting to management and the AER.</li></ul>			
6.2.1 Annual compliance report	<p>Power and Water has</p> <ul style="list-style-type: none"><li>Updated practices and produced extracts relating to levels of compliance with the Guideline to assist with preparation of AER Ring-Fencing Annual Compliance Report. (AERRF20-41)</li></ul>	<p>Power and Water's current</p> <p><b>Preventative controls</b></p> <ul style="list-style-type: none"><li>Compliance reporting template designed to report compliance with the Guideline in line with the compliance reporting best practice manual.</li><li>Compliance Obligation Register that outlines controls, control effectiveness and levels of compliance for each guideline element against each area of responsibility. This register is used to produce reports on levels of compliance and control effectiveness.</li></ul> <p><b>Detective controls</b></p> <ul style="list-style-type: none"><li>Periodic compliance review process of guideline obligations outlined in the compliance obligation management procedure to determine levels of compliance and control effectiveness for reporting.</li></ul> <p><b>Corrective controls</b></p> <ul style="list-style-type: none"><li>Non-compliance reporting procedure and system that captures and monitors reported non-compliance for the purpose of reporting to the Management and AER.</li></ul>	Requires Improvement	<p>Power and Water's planned improvements to control effectiveness include</p> <ul style="list-style-type: none"><li>Management review of enterprise compliance framework to align to the new International Standard ISO 37301 Compliance Management Systems.</li></ul>	Compliant
6.3 Compliance breaches	<p>Power and Water has</p> <ul style="list-style-type: none"><li>Updated the Non-compliance Event Management and Reporting Procedure to include a reference to AER as a regulator. (AERRF20-34)</li><li>Incorporated the AER Ring-fencing best practice manual requirements for reporting breaches into the HERC System selected vendor for configuration of data capture and reports. (AERRF20-36)</li></ul>	<p>Power and Water's current</p> <p><b>Preventative controls</b></p> <ul style="list-style-type: none"><li>Compliance Obligation Register that outlines Guideline compliance against each area of responsibility.</li><li>General compliance training for all employees and management to include AER Ring-Fencing breach definitions in training delivered by Compliance team.</li><li>On boarding process which includes training on ring-fencing obligations delivered via the ELMO System and completion rates monitored via system reporting.</li></ul> <p><b>Detective controls</b></p> <ul style="list-style-type: none"><li>Periodic compliance review process of guideline obligations outlined in the compliance obligation management procedure.</li><li>Periodic compliance attestation process of current levels of compliance and control effectiveness outlined in the compliance attestation procedure.</li></ul> <p><b>Corrective controls</b></p> <ul style="list-style-type: none"><li>Non-compliance reporting procedure and system that captures and monitors reported non-compliance, outlines steps for reporting and requirements for investigation and corrective</li></ul>	Requires Improvement	<p>Power and Water's planned improvements to control effectiveness include</p> <ul style="list-style-type: none"><li>Management review of enterprise compliance framework to align to the new International Standard ISO 37301 Compliance Management Systems.</li></ul>	Compliant



Guideline Reference	Measures taken in reporting period	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		action.			
6.4 Complaints and investigations	<p>Power and Water has</p> <ul style="list-style-type: none"><li>Developed a workflow for the effective use of the information sharing, complaints and office and staff registers to ensure full disclosure of potential Guideline non-compliance is fully disclosed, where future programs of work are impacting timely update of ICT policies, procedures and key systems. (AERRF20-31.b)</li></ul>	<p><b>Corrective controls</b></p> <ul style="list-style-type: none"><li>Regulation, Economics and Pricing engage regularly with the AER and are responsible for responding to a complaint or concern the AER raises about compliance with this Guideline.</li><li>The non-compliance reporting procedure is applied in situations where the complaint or concern results in a breach.</li></ul>	Requires Improvement	Control status is reflective of the reporting period, there are no open improvement measures related this obligation.	Compliant

# Appendix 2 - Existing Power and Water service classification and Guideline treatment





## Appendix 3 – AER Ring-fencing Guideline as applied to the Northern Territory

The embedded document is an unofficial version of the AER Ring-fencing Guideline Version 2 which has been marked-up to show the sections that do not apply in the Northern Territory as at 1 July 2019 due to derogations under clause 6.17.1B of the National Electricity Rules as modified for the Northern Territory (NT NER).

It is in indicative representation of the Guideline for internal understanding purposes only.

*AER Ring-fencing Guideline as applied to the Northern Territory (unofficial)*



AER Ring-fencing  
Guideline as applied