

AER Ring-fencing Guideline Electricity Distribution Compliance Report

AusNet Electricity Services
Pty Ltd

April 2024

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1. Executive summary

1.1 Introduction

AusNet Electricity Services Pty Ltd (“AES”) is a subsidiary of AusNet Services Holdings Pty Ltd. AES engages in the delivery of electricity to consumer connection points in Victoria.

The Australian Energy Regulator (“AER”) published the Ring-fencing Guideline - Electricity Distribution Version 3 (the “Guideline”) for Electricity Distribution on 30 November 2016 (subsequently revised in October 2017 and November 2021) under the National Electricity Rules, to provide for functional separation of regulated and competitive business activities to promote competition in the provision of electricity services.

1.2 Background

Ernst and Young (“We” or “we”) has been engaged to perform a “reasonable assurance engagement” as defined by Standards on Assurance Engagements, pursuant to Section 6.2.1 (c) Compliance Reporting of the Guideline to report on AES’s compliance with the Guideline for the period 1 January 2023 to 31 December 2023.

1.3 Scope

The scope of the review includes the following that is detailed in the AER Annual compliance reporting and independent assessment under the Guideline:

- An attestation from the DNSP signed by the relevant officer (as defined in clause 1.4 of the Guideline) that the information provided by the DNSP to the assessor was complete and correct.
- ▶ A statement from the assessor detailing assessment methodology and how relevant standards were used to design that methodology and implement the assessment. This could include a description of the type of sampling and auditing procedures used, and how the assessment methodology aligned with relevant ISO or ASAE standards chosen to guide the assessment.
- ▶ A statement from the assessor detailing any areas of the assessment where information was inconsistent, incomplete, or incorrect, and the degree to which this has negatively impacted the assurance level.
- ▶ The nature of any issues or concerns that were raised by the assessor during the undertaking its assessment that may or may not have been subsequently addressed by the DNSP.

1.4 Methodology

AES has prepared an annual compliance report under the Guideline for the period from 1 January 2023 to 31 December 2023.

We obtained an understanding of the Guideline and other engagement circumstances specific to AES sufficient to enable the identification and assessment of the risk of non-compliance with the Guideline, that are not required to be specifically disclosed in the annual compliance report for the period from 1 January 2023 to 31 December 2023.

We tested the obligation clauses as per the Guideline and conducted interviews with key stakeholders to understand how AES satisfies each obligation. From our interviews we identified the key policies and procedures, processes and controls that management has put in place to satisfy each obligation.

We performed an analysis of the key controls that management has put into place to comply with each obligation, to understand whether control gaps exist which could enable an obligation to remain unsatisfied.

We then conducted limited sample testing over the identified controls to determine whether AES complied, in all material respects, with the Guideline for the period from 1 January 2023 to 31 December 2023.

Compliance has been assessed to a level of reasonable assurance in accordance with *Standard on Assurance Engagement ASAE3100 Compliance Engagements*, based on sample sizes determined using professional judgement.

1.5 Commercial risks of non-compliance

Ring-fencing aims to ensure that customers experience the benefits of fair competition by requiring clearer separation between regulated services provided by AES on a monopoly basis and contestable energy services provided by AES or its affiliates.

The key risks of non-compliance in related to ring-fencing requirements include:

- ▶ Inappropriate advantage provided to affiliates on commercial transactions
This risk can arise through preferential treatment of affiliates through procurement processes to award contracts to affiliates that are not at arm's length. Employees may be incentivised to do so when inappropriate remuneration or performance evaluation frameworks are in place.
- ▶ Inappropriate access of confidential electricity information
This risk can arise through inappropriate physical or system access by staff, or inappropriate staff sharing arrangements. Employees in the affiliate providing contestable electricity services may benefit from inappropriate use of confidential electricity information both in transactions with AES and business development with external customers.
- ▶ Inappropriate promotion of affiliates providing contestable electricity services
This risk can arise through AES using its position as a regulated electricity services provider to inappropriately promote contestable electricity services provided by its affiliates. This can be both direct promotion through advertising arrangements, or indirect promotion using Mondo branding on AES assets such as trucks, stationery and webpages.

We have designed and executed our assurance procedures in recognition of these risks.

1.6 Overall observations

General Commentary

This is the seventh year AES has been assessed for its ring-fencing compliance.

AER focus

As part of our planning procedures for our audit we have also considered various materials published by the AER with relevance to DNSPs for the 2023 compliance regime, namely the *Annual Compliance and Enforcement Report 2022-23*. We noted from this documentation that the AER places specific focus on the following compliance areas relevant to DNSPs such as AES:

- ▶ Breaches related to branding and cross promotion.
- ▶ Breaches related to the failure to protect and disclosure of ring fence information.
- ▶ Instances of repeated non-compliance.

As such we have given specific focus to these areas in the execution of our audit procedures and documentation of results.

Changes to the DNSP and Its Environment

It was noted that in 2023 AES undertook a minor organisational restructure within the entity's Development and Future Networks (D&FN) division where two teams moved to Network Operations and Safety division without changes to the scope of services they delivered. Through our discussions with management, we noted that there were no changes to the underlying services and operations of this division. As such, their roles were previously subject to ring fencing measures, such as physical separation or information sharing restrictions, and those controls remained in place even after the restructure. We have considered this restructure in the design and execution of our procedures against the Guidelines.

We have continued to observe that historical arrangements between AES and its affiliates as well as the extent of these services are similar to the previous year. We have observed relevant controls in place to demonstrate ring-fencing compliance. The overall value of transactions between AES and other businesses in the AusNet Services Limited Group such as Mondo Power Pty Ltd (Mondo) for the year ended 31 December 2023 was [REDACTED] whilst the overall value of transactions with Geomatic ai Pty Ltd (trading as Altavec) was [REDACTED].

Through our procedures we noted that AES has continued to pursue various projects in collaboration with Mondo including Project EDGE, The Phillip Island Community Energy Storage System (PICESS) as well as provision of Utility-Grade Stand-Alone Power System (SAPS) in areas of Victoria that experience distribution difficulties because of remoteness and bushfire risk. These projects have all been delivered and are in operation as of 1 January 2024. As such, at date of the report, there are no on-going joint projects that have a bearing on ring-fencing. Management has advised that there been a proposal for another AES and Mondo collaboration project in the planning namely Corryong Microgrid; however, this arrangement was not executed as at 31 December 2023.

Management has advised that the PICESS battery is not the type of battery for which a waiver from the AER is required and therefore is not considered to be in the scope of the Guideline. The same conclusion has been reached for the SAPS with Management advising that whilst AES has been responsible for the leadership of the project, the systems themselves are provided by a contestable party and are also not considered to be within the scope of the Guideline.

As part of our procedures, we made enquiries with key operational personnel involved with these projects as well as those in the AES Compliance team regarding the consideration of the Guidelines 3.1(b) in the execution of the projects. Our observations of this are discussed in section 4.1 below.

Through this year's ring-fencing audit, we identified two new recommendations for AES's continuous improvement in relation to the periodic review of training registers, along with two observations on similar points raised in the prior year, which were partially implemented during the period under audit. These observations and recommendations, together with management's responses, are summarised in section 3.1 and section 2 respectively.

1.7 Executive comment

Except unless otherwise stated in the management responses in sections 2 and 3.1, Management accepts the results of the audit and will demonstrate corrective steps to address each recommendation.

1.8 Conclusion

Refer to Section 5 of the report for the full Audit Opinion.

2. Summary of audit findings

2.1 Summary of new findings in 2023

We have not identified any new findings as part of our procedures performed.

Clause	Obligations	Observations and findings in 2023	Recommendation in 2023	Management Response
4.3.1	Subject to this clause 4.3, a DNSP must: (a) keep ring-fenced information confidential; and (b) only use ring-fenced information for the purpose for which it was acquired or generated.	<ul style="list-style-type: none"> We noted that AES employees are required to complete an online Privacy compliance training annually. Upon completing the training, employees achieve a certificate of competency in relation to the specific training. The Compliance team monitors the completion status of the mandatory training. We obtained a BI Dashboard screenshot to confirm the completion of the mandatory Privacy compliance training by employees and noted 23 employees had not completed their privacy training as of 15 March 2024. While not mentioned in the management's information sharing process note, we noted that the ring-fencing training (refer to section 4.1(b) below on our assessment of ring-fencing training) is the primary source for employees to understand their obligations related to keeping ring-fenced information confidential. 	<ul style="list-style-type: none"> We recommend AES performs periodic reviews of the training register to ensure that all employees have completed the Privacy training required under the current AusNet process. within the timeframe. We understand AES management intend to update the Information sharing process note (refer to 4.3.1-Process Description below) to reflect that the privacy training is supplementary and does not impart specific ring-fencing guidance to management. The relevant ring-fencing guidance is covered in detail within the mandatory ring-fencing training. We support the proposed update of the management process notes with respect to this obligation. 	<p>The privacy training is supplementary and does not contain any details on ring-fenced information or ring-fencing obligations due to the separate mandatory training mentioned below.</p> <p>The ring-fencing training, separate from the privacy training, is the main training for employees to understand ring-fencing obligations around keeping ring-fenced information confidential. AusNet has effective controls for keeping ring-fenced information confidential including the mandatory ring-fencing training, IT access request approval workflows, and quarterly IT system reviews.</p> <p>The only crossover between ring-fenced information and personal information is the distribution customer information. This data can only be accessed by employees who have completed their privacy training, therefore the employees who had not completed their privacy training would not be granted access to relevant systems.</p>
4.4.1	A DNSP: (a) must ensure that any new or varied agreement between 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:	We sampled a selection of contracts and contract variations entered from 1 January 2023 to 31 December 2023 to assess whether the relevant ring-fencing provisions have been included within service provider contracts for the provision of services of AES to enable or assist AES to supply direct control services.	We recommend management continue to refine the process by implementing further controls for identifying and assessing contract or variations to contracts for inclusion of the ring-fencing provisions.	We acknowledge the process improvement recommendation. A review of these controls will be conducted and implemented by 15 August 2024.

Clause	Obligations	Observations and findings in 2023	Recommendation in 2023	Management Response
	i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP. as if the service provider was the DNSP. (b) must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's obligations under clause 4 of this Guideline.	We noted an instance from our sample whereby the ringfencing provisions were not explicitly included within the contract.		

2.2 Risk ranking of issues reported

This table outlines the assessment framework of risk rating allocated to observations and recommendations raised, as summarised in section 3.1 of the report.

		Potential Occurrence				
		Isolated Instances	Few Instances	Some	Often	Many
Potential Impact	Insignificant	Low	Low	Low	Low	Moderate
	Minor	Low	Low	Low	Moderate	Moderate
	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
	Major	Moderate	Moderate	Moderate	High	High
	Catastrophic	High	High	High	High	High

2.3 Legend: Overall grading definition

This table outlines the assessment framework of compliance against the specific obligations within the Guideline, as discussed in section 4.1 of the report.

Green	Effective	Most requirements of the license condition have been met with some minor failures or breaches. Findings noted are considered minor and require routine efforts to correct in the normal course of business.
Amber	Partially Effective	Key requirements of the license condition have been met but only minor achievements in compliance have been demonstrated. Findings noted are considered significant and require substantial effort to correct.
Red	Not Effective	The requirements of the license condition have not been met, or adequate, relevant and suitable information to form an objective determination on compliance was not available to demonstrate compliance. Findings noted are considered material in nature and require urgent remedial action.

3. 2022 Auditor Recommendations

The following table outlines AES' responses and actions taken against our recommendations in response to our 2022 findings as well as our relevant observations and findings in the current year:

Clause	Obligations	Recommendations in 2022	Observations and findings in 2023	Management Response
4.1(b)	<p>A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <p>i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or</p> <p>ii. contestable electricity services by any other legal entity.</p>	<ul style="list-style-type: none"> We note that this was an area of marked improvement from 2021 with no instances of training non-compliance detected as part of our procedures. We observed that an improvement was made in this area with the introduction of a Power BI reporting dashboard which allowed management greater oversight over training completion. 	<ul style="list-style-type: none"> This was a slight regression in this area in the current year with 22 employees not having completed their ring-fencing training as of 15 March 2024. We understand that whilst this number is low there were reasonable explanations for why employees hadn't completed their training such as: technological issues and new employees. We recommend AES performs periodic reviews of the training register to ensure that all employees have completed the ring-fencing training within the timeframe. 	<p>Management acknowledges the recommendation.</p> <p>Additional reporting will be developed to ensure any potential technological issues in the future are identified and corrected prior to the due dates of mandatory training.</p>
4.1(c)	<p>(c) Without limiting its scope, clause 4.1(b) requires a DNSP to:</p> <p>i. in dealing or offering to deal with a related electricity service provider, treat the related electricity service provider as if it were not a related electricity service provider (that is, as if it had no connection or affiliation with the DNSP).</p> <p>ii. in like circumstances, deal or offer to deal with a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider on substantially the same terms and conditions.</p>	<ul style="list-style-type: none"> We observed in 2022 that there continued to be several historical SOWs relating to calibration and testing that remained in place between Mondo and AES which had not been market tested through formal procurement processes. In line with our detailed findings below relating to the Guideline 4.1 (c) we recommend that AES reviews these SoWs and puts these services through formal procurement processes (ie market testing or benchmarking) before granting any extension to these SoWs. 	<ul style="list-style-type: none"> We observed that these historical SOWs continued to be a feature in 2023 and were not market tested since the prior period. We restate our previous recommendation that AES reviews these SoWs and put these services through formal procurement processes (ie market testing or benchmarking) before granting any further extensions to these SoWs. We observed that an improvement was made in this area with the price/value exercise performed by AES in 2023 to show non-discrimination or no subsidisation. 	<p>Management acknowledges the recommendation and will conduct a market test or benchmark of these services.</p> <p>Management notes that when applying non-discriminatory criteria, Mondo may still remain a legitimate preferred supplier (eg due to Mondo's position in the market as the most experienced provider of such services).</p> <p>AusNet has provided evidence of non-discrimination or no subsidisation by way of undertaking a price/value exercise for the CY23.</p>

Clause	Obligations	Recommendations in 2022	Observations and findings in 2023	Management Response
	<p>iii. in like circumstances, provide substantially the same quality, reliability and timeliness of service to a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider.</p> <p>iv. subject to clause 4.3.3(b), not disclose to a related electricity service provider information the DNSP has obtained through its dealings with a competitor (or potential competitor) of the related electricity service provider where the disclosure would, or would be likely to, provide an advantage to the related electricity service provider.</p>			

4. Detailed audit findings

4.1 Detailed audit findings

Instrument Clause Event: Ring-fencing Guideline Electricity Distribution

Obligation: Prevention of cross subsidies – Section 3

Guidance Assessment Criteria and Assessment Controls

Ref	Compliance Obligation	Process Description	Testing	Grading
3.1(a)	A DNSP must be a legal entity.	AES' legal entity structure complies with the legal separation requirements of the Guideline. The operational refresh did not involve any changes to the legal corporate structure. AusNet Electricity Services Pty Ltd is a legal entity.	<p>Procedures performed:</p> <p>We performed an ASIC search on AES to ensure that it is a separate legal entity. To undertake the search, we used AES' ABN number as noted on the distribution licence approved by AER.</p> <p>Observation:</p> <p>Based upon the evidence obtained above, no exceptions were noted as to AES' compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> AES is a legal entity. <p>Recommendations:</p> <p>None noted.</p>	Effective
3.1(b)	A DNSP may provide distribution services and transmission services but must not provide other services.	<p>All arrangements entered by AES are assessed by the AES Procurement team and Legal team to ensure compliance with the Guideline.</p> <p>Other non-distribution services: there are several contracts for the provision of services that do not meet the Guideline service classification restrictions, for which AES is the legal entity on the contract documentation. The services include:</p> <ul style="list-style-type: none"> public lighting and nightwatchman lights (including alteration and relocation of distributor public lighting assets; new public lights, and installation, repair and maintenance of watchman lights) emergency recoverable works Reserve feeder construction. 	<p>Discussion held with:</p> <p>Compliance Manager Legal Counsel Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We assessed the process undertaken by management to ensure all arrangements were correctly identified and in compliance with the Guideline.</p> <p>We inspected AES's corporate website and sighted the ongoing projects and assessed their permissibility under the guideline.</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
		<p>These services have been extended in line with the commencement of the next electricity distribution pricing period. The services will be alternative control services under the framework with their approach expected to be approved by ARENA and a waiver no longer required for these services.</p>	<p>We made enquiries regarding permissibility of the following projects under the guideline which had been identified in previous years.</p> <ul style="list-style-type: none"> Project Edge, a multi-year project to demonstrate an off-market, proof-of-concept Distributed Energy Resource (DER) Marketplace that efficiently operates DER to provide both wholesale and local network services within the constraints of the distribution network. Noted this project has been concluded in the current year. Phase 2 of the project has been commenced however Mondo is not a party to this project. The Phillip Island Community Energy Storage System (PICCESS): A project underway by Mondo to install a battery on Phillip Island. One of the uses of which will be to provide network support to AES, which will enable greater reliability in electricity supply for the Island, especially during peak holiday periods. Utility Grade Stand Alone Power Systems (SAPS): An initiative undertaken by AusNet to install in front of the meter power generation systems in areas of rural and remote Victoria prone to distribution issues and bushfire risk. Noted this project has been concluded during the year. <p>As part of our audit, we perused materials provided by AES outlining the project aims, participants, deliverables, and timeline.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted with AES' compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> AES solely provides distribution services and transmission services, apart from those included in the waiver registers, as approved by the AES. We noted in our enquiries regarding the projects above that the roles had been appointed and that the briefings had been made to relevant staff. 	

Ref	Compliance Obligation	Process Description	Testing	Grading
			<ul style="list-style-type: none"> AES has preventive controls to ensure all procurement arrangements entered are managed in accordance with the Guideline, including mandatory consultation with the legal team. Recommendations: None noted.	
3.2.1(a)	(a) A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	<p>AES developed an Accounting Policy Manual specific for transactions with affiliated entities in December 2017. The policy defines related party and affiliated entities, also details how profit and loss and balance sheet transactions are identified and reported separately. It also outlines intercompany transactions with related parties must be offered on the same terms that it would to an unrelated party.</p> <p>AES has the obligation to have the transactions with affiliated entities in an arm's length basis. For example, all intercompany transaction can be clearly identified by intercompany GL, partner company code or by the presence of a "trading partner" field within SAP. The cost allocation methodology generates intercompany receivables and payables that are recorded in the financial statements.</p> <p>AES maintains records of transactions with related parties and is required to disclose these transactions in its financial statements.</p> <p>Mondo related party transactions are captured via intercompany transactions. Related Party transactions with Geomatic.AI are identified in SAP via a customer or vendor code. All revenue has a customer code and all operating expenses have a vendor code. Related party customers and vendors are set up in SAP with an 'RPT-xxx' as an identifier.</p>	<p>Discussion held with: Compliance Manager Legal Counsel Regulatory Accounting Manager Regulatory Compliance Officer</p> <p>Procedures performed: We obtained and inspected the AES internal accounting procedure manual - "Transactions with affiliated entities" and noted that it addressed transactions between AES and its affiliated entities.</p> <p>We obtained and inspected the transaction report between AES and affiliated entities in which the accounting treatment was noted to be consistent with the internal accounting manual. As at the date of this report, AES is generating the transaction listing between AES and its affiliated entities.</p> <p>We assessed management's process to identify affiliated entities by sighting related party identifier codes in the SAP system, in the specific format of RPT-xxx.</p> <p>Observation: Based upon the discussions held and procedures performed, no exceptions were noted on AES' compliance against the obligation. With the key points noted below:</p> <ul style="list-style-type: none"> AES has a process in place to establish and maintain appropriate internal accounting procedures and records to ensure that it can demonstrate the extent and nature of transactions between AES and its affiliated entities. 	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
			<ul style="list-style-type: none"> We enquired with management of the existence of any new identified related parties during the year that should be considered from a ring-fencing perspective. It was noted that none had been identified. <p>Recommendations: None noted.</p>	
3.2.2	<p>(a) A DNSP must allocate or attribute costs (including costs allocated or attributed to the DNSP by a parent entity) to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved 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</p> <p>(b) A DNSP must only allocate or attribute costs to distribution services in accordance with clause 3.2.2(a) and must not allocate or attribute other costs to the distribution services it provides.</p> <p>(c) A DNSP must establish, maintain and keep records that demonstrate how it meets the obligations in clauses 3.2.2(a) and 3.2.2(b). (b) A DNSP must only allocate or attribute costs to distribution services in accordance with clause 3.2.2(a) and must not allocate or attribute other costs to the distribution services it provides.</p>	<p>AES has in place an Electricity Distribution Cost Allocation Method (CAM) Accounting Policy Manual, which is updated every 5 years. The existing CAM was effective in September 2019. The Finance team has assessed the September version of CAM and noted that it is consistent with the Cost Allocation Principles per the Guideline, including the extended cost allocation requirements. Specifically, AES CAM not only requires cost allocation between direct control services and other distribution services, but it also demonstrates cost allocation for the allocation and attribution of costs between distribution services and other services.</p> <p>There are three types of operating cost for AES services:</p> <ol style="list-style-type: none"> Labour costs - Are generated through the payroll system and are either directly costed/attributed to asset related work codes and activities via job orders and projects in the asset management system and labour timesheets, or allocated on the basis of a cost driver approach Material costs and invoiced contract and service costs - through direct costing/attribution to asset related work codes and cost driver approach. Directly costed items - through system based, general ledger attribution due to the nature of the cost, eg property taxes, license fees, network charges. <p>AES use of company code, cost centre, account and project number in SAP to allow accurate allocations of Direct cost and indirect cost.</p> <p>Cost Allocation Process - Direct costs</p> <p>Direct costing is combination of project creation, budget approval (business cases policy), time sheeting, invoice. receipting (procurement/AP policies), material receipting (Logistics' policies) etc.</p> <p>Cost Allocation Process - Overheads/ indirect costs</p>	<p>Discussion held with: Compliance Manager Legal Counsel Regulatory Accounting Manager Regulatory Compliance Officer</p> <p>Procedures performed: We obtained and inspected the CAM, noting that it addressed the allocation and attribution of costs between distribution services and non-distribution services.</p> <p>We have checked that AES' existing CAM was approved by the AER.</p> <p>We assessed the process undertaken by the finance team to allocate and attribute costs to distribution services and note that it was aligned with the existing CAM.</p> <p>Observation: Based upon the discussions held and procedures performed, no exceptions were noted as to AES' compliance against the obligation with key points below:</p> <ul style="list-style-type: none"> AES has a process in place to allocate costs to distribution services and is consistent with the Cost Allocation Principles and AER approved CAM. AES uses cost driver approach whereby key causal drivers for each cost centre (functional area) have been identified and allocations will be calculated by the Finance team on a quarterly basis. This assessment ensures no non-regulated business cost is allocated to the regulated business. AES maintains records in relation to costs allocation. 	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
	<p>(c) A DNSP must establish, maintain and keep records that demonstrate how it meets the obligations in clauses 3.2.2(a) and 3.2.2(b).</p>	<p>AES uses cost driver approach to allocate shared costs. The cost drivers are calculated by the Corporate Finance team on a quarterly basis by applying a cascade of two approaches:</p> <ol style="list-style-type: none"> 1. Time sheeting: for cost centres that complete timesheets and where those timesheets cover the majority of the cost centre available time. 2. Financial and Non-Financial Metrics: for cost centres where the unallocated costs relate to business support activities that are driven by or closely associated with a financial or non-financial metric, eg EBITDA, Revenue, and etc. <p>Average of Other Cost Centres' Allocations: for management cost centres, cost drivers are based on the average cost allocations of the cost centres within their reporting hierarchy.</p> <p>Finance also performs a quarterly analysis of the financial results on a cost allocation basis for each regulated network, as well as the unregulated business of AES.</p> <p>Costs such as finance costs, corporate tax and other costs below the EBIT line are considered at corporate level.</p>	<ul style="list-style-type: none"> • We obtained and inspected the December 2023 percentage input file for the CAM. • We observed that there had been no changes to cost centres because of the recent organisational restructure. • We observed that fixed allocation driver will not be amended unless the owner of the driver initiated that with finance team. <p>Recommendations: None noted.</p>	

Obligation: Functional separation – Section 4

Guidance Assessment Criteria and Assessment Controls

Ref	Compliance Obligation	Process Description	Testing	Grading
4.1(b)	<p>(b) A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <p>I. direct control services by the DNSP (whether to itself or to any other legal entity); and / or</p> <p>ii. Contestable electricity services by any other legal entity.</p>	<p>In order to achieve compliance with the “non-discrimination” requirements in the Ring-Fencing Guideline, AES has sought to educate relevant employees about the Ring-fencing requirements.</p> <p>AES’ online training program on the topic of Ring-fencing for electricity distribution policy includes a do’s and don’ts when dealing with affiliated entities.</p> <p>Below are the approaches:</p> <p>A ring-fencing page on the AusNet intranet, The Loop, which contains resources relating to key ringfencing educational information.</p> <p>Online training module for employees accessed via SuccessFactors.</p> <p>All AES employees have access to the ringfencing intranet site at any time. Upon completion of the training, employees receive a completion report to prove the training is complete. The compliance team monitors the completion status of the online training.</p> <p>Together with the legal team, AES developed various Statement of Works (SOWs) for the respective services provided by Energy Services and Technical Services which include, but is not limited to chemical testing services, metering services, HV asset testing and others.</p> <p>Master Procurement Agreement (MPA) are also in place to formalise existing and future arrangements for contestable electricity services provided by affiliated entities to AES. The MPA was developed based on a third-party contract format, to ensure the terms and conditions set out are not discriminating against an external party. The MPA was varied in May 2023 to extend the agreement to May 2028.</p> <p>Any direct control services provided to affiliated entities are provided on equivalent terms and conditions, including price to non-affiliated entities receiving the same services in the same situation or circumstances. Examples include connection enquiries or connection services.</p>	<p>Discussion held with:</p> <p>Compliance Manager</p> <p>Legal Counsel</p> <p>Technical Training Manager</p> <p>Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We obtained the Ring-fencing Module slides and inspected the training report which included the details of employees who has completed the training and the relevant completion dates.</p> <p>We obtained and inspected all relevant SoWs, contracts and the MPA entered between AES, Mondo under Development and Future Networks. We also obtained the varied MPA signed during the year May 2023.</p> <p>We have also made specific enquiries about previous year projects such as: Project Edge, The Phillip Island Community Energy Storage System (PICESS) and the construction of utility grade standalone power systems, and the processes involved to ensure that these were compliant with respect to this guideline.</p> <p>Also refer to section 4.1(c) below on our assessment of AES’ procurement processes and controls.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, we noted:</p> <ul style="list-style-type: none"> From our inspection of the AER ring fencing briefing materials we noted that a specific emphasis was placed on the completion of training by relevant personnel at DNSPs. AES has processes and controls in place to ensure that there is no discrimination between a related electricity service provider and an external DNSP. We inspected the varied MPA signed in May 2023 between AES and Mondo to ensure the relevant 	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
			<p>ring-fencing clauses are incorporated within the document.</p> <ul style="list-style-type: none"> We have identified few AES employees that have not yet completed the required training. We noted that 22 employees did not complete their training as of 15 March 2024. We understand that whilst this number is low there were reasonable explanations for why employees hadn't completed their training such as: technological issues and new employees. In line with our prior period observations, we also noted from our review of the organisational structure that management employees within D&FN are sometimes placed in a situation where they have direct reports on both sides of the ring-fence. Through discussions with management, we established that whilst this in appearance does present a potential conflict it is argued that the code of conduct and training which all staff are subject to does provide as safeguard here. As does the segregation of duties, for example the head of D&FN does not sit on the committee group associated with distribution capital expenditure. We note that AES continues to use a Power BI reporting dashboard using a data feed from its training platform Success Factors. Our observation was that this provided more current qualitative and quantitative analysis of employee training completion. <p>Recommendations:</p> <ul style="list-style-type: none"> None noted. 	
4.1(c-d)	(c) Without limiting its scope, clause 4.1(b) requires a DNSP to: <ul style="list-style-type: none"> i. in dealing or offering to deal with a related electricity service provider, treat the related electricity service provider as if it were not a related electricity service provider (that is, as if it had no connection or affiliation with the DNSP); 	<p>AES has a robust procurement and other contracting processes for obtaining, or providing, services from, or to, affiliated entities, including any contracting requirements and legal approval. This includes establish the Delegation of Authority matrix, where RES staff are restricted from making a decision for another affiliated entity.</p> <p>There is a formal decision-making process implemented before contracting a related electricity service provider.</p> <p>AES has implemented Master Service Agreements (MSA) where ring-fencing clauses are included with related electricity service provider.</p>	<p>Discussion held with:</p> <ul style="list-style-type: none"> Members of the Procurement Team Compliance Manager Legal Counsel Regulatory Compliance Officer <p>Procedures performed:</p> <p>We obtained and perused the Statement of Works (SOW) and Master Procurement Agreement (MPA)</p>	Partially Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
	<p>ii. in like circumstances, deal or offer to deal with a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider on substantially the same terms and conditions;</p> <p>iii. in like circumstances, provide substantially the same quality, reliability and timeliness of service to a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider;</p> <p>iv. subject to clause 4.3.2(b), not disclose to a related electricity service provider information the DNSP has obtained through its dealings with a competitor (or potential competitor) of the related electricity service provider where the disclosure would, or would be likely to, provide an advantage to the related electricity service provider.</p> <p>(d) A DNSP must not discriminate (either directly or indirectly) between any two legal entities, in connection with the supply of contestable electricity services by those legal entities, on the basis of the use by one or both of those legal entities of assets owned, operated or otherwise controlled (in whole or in part) by the DNSP.</p>	<p>Management represented that services provided to the DNSP by its affiliated entities under SoWs are subject to multiple control mechanisms:</p> <ul style="list-style-type: none"> The budget allocated to these services is determined solely by RES, and Mondo do not have any decision-making power on the budget setting process Specific AES personnel are responsible and accountable for establishing and managing the budget for each of these services Management undertakes active budget monitoring, including through the interrogation and assessment of year-on-year differences or trends and cost saving or efficiency opportunities. All existing SoWs have a limited timeframe from 12 months to a maximum of 10 years. All new SoWs entered will have a timeframe of 12 months and will be subject to annual review before any extension is granted. There were no SOWs entered subsequent to 2018. No mark-up is charged on these services provided and cross-charge from Mondo to AES is only allowable on cost basis with no margin added <p>AES has a Procurement Principles and Procurement Framework in place, whereby all services with the value of above [REDACTED] will need to go through a strategic procurement process, which the Procurement team will determine the best way to engage the market.</p> <p>This could be via a formal tender, a negotiation or other method deemed to obtain best value for money. The approach taken for the procurement of services is not necessarily determined or driven by the Division or Affiliated Parties for which the goods and services are being sourced. Rather, the sourcing approach is determined by a number of considerations including the nature of the goods and services, market factors and the procurement strategy. These considerations will lead to decisions on the appropriate approach which may be any of open tender, closed tender, single-source, panels, sourcing through collaboration and others.</p> <p>Arrangements with value between [REDACTED] and [REDACTED] will be sourced by the Procurement team through market testing. A tender process will be implemented which includes technical review, commercial review and legal review. If there will be repeated purchase from the same supplier within a short time frame, an SAP</p>	<p>entered between AES and Energy Services provided under the Mondo brand.</p> <p>We have verified that all relevant information within the ring-fencing clause has been included in the Master Service Agreement between AES and Mondo.</p> <p>We assessed the procurement and tender process undertaken by AES.</p> <p>We obtained and inspected the decision-making framework AES adheres to demonstrate its compliance against this obligation.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, we noted:</p> <ul style="list-style-type: none"> AES has control process in place to ensure that there is no discrimination between a related electricity service provider and an external party. AES has formalised the evaluation and decision-making process to demonstrate service arrangements with Mondo are entered into at arm's length with no discrimination. We noted that there were no instances during the period where work was contracted to a third party with that party sub-contracting back to Mondo. We noted that AES continues to engage Mondo on six SOWs relating to Condition Monitoring, Testing and Metering. The costs associated with these SOWs totalled [REDACTED] of combined direct project Capex/Opex transactions. However, there were other costs, such as overheads charged from Mondo to AES through journal postings which amounted to [REDACTED]. These are deemed to be shared in nature and not reported for ring-fencing purposes. We also noted during the period that AES incurred [REDACTED] in transactions with a Geo-Spatial engineering provider Geomatic ai Pty Ltd. This business was formerly controlled by AES but was predominantly divested in February 2022 leaving AES with 20%. The entity is an affiliate for ring fencing purposes under the guidelines. 	

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		<p>purchase requisition created within an estimated value before engaging the supplier.</p> <p>For supplier requirements over [REDACTED] value, it is mandatory for the Procurement team to be engaged by the business requestor and for the Procurement team to lead the strategic sourcing process. The only exception is for purchases aligned to an executed supplier contract, inclusive of a schedule of rates, up to the value of [REDACTED].</p> <p>For arrangements with value below [REDACTED], an approved purchase order is required, and the business unit will have to present several quotations for comparison purposes.</p> <p>There is a waiver of competition (WoC) purchasing scenario used when the purchase is greater than [REDACTED]. If the WoC is between [REDACTED] to [REDACTED], it must be approved by the division managers and all WoCs greater than [REDACTED] must be approved by the procurement team.</p> <p>For compliance year 2023, transactions between AES and affiliates total approximately [REDACTED]. These transactions include:</p> <p><i>Transactions with Mondo</i></p> <ul style="list-style-type: none"> Condition monitoring and others: [REDACTED] -SOW #1) Metering Services: [REDACTED] -SOW # 3 Chemical Testing, Calibration, Testing and Projects: [REDACTED] -SOW #3 and #2 <p><i>Transactions with Geomatic ai Pty Ltd (trading as Altavec)</i></p> <ul style="list-style-type: none"> Geospatial engineering services: [REDACTED] 	<ul style="list-style-type: none"> We note through our procedures performed and discussion with management that Mondo and Geomatic ai are all subject to the same tendering and monitoring process as external contractors. <p>Recommendations:</p> <p>[Partially Effective] In line with the previous period there were range of existing services provided under the Mondo brand within D&FN to AES including condition monitoring, testing and calibration have been rolled forward on historical Statement of Works (SOWs). These arrangements have never been market tested; we do note however that the overall level of expenditure has decreased from the prior year.</p>	
4.2.1	(a) Subject to this clause 4.2.1, in providing direct control services, a DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	<p>AES introduced access controls including modifications to provide separate workspaces for staff, such as creating separate and restricted sections of a site or the floor of a building with access card controls and separate kitchen/tea facilities when the Ring-fencing Guideline came into effect. Shared areas and facilities such as lifts, toilets, foyers and car parks are considered acceptable.</p> <p>As part of the Ring-fencing Guideline implementation project, AES undertook a building access review to ensure there are no offices which share both employees involved in the marketing or operation of direct control services (DCS employees) and employees involved in the marketing or operation of contestable electricity services (energy and technical services) (CES employees), which are not permitted by the Guideline to share an office (Prohibited Shared Offices). No Prohibited Shared Offices were identified in the review.</p>	<p>Discussion held with:</p> <ul style="list-style-type: none"> Legal Counsel Compliance Manager Building Services Manager Regulatory Compliance Officer <p>Procedures performed:</p> <p>We obtained the list of new employees in 2023 and inspected the site access approval forms for 25 employees to ensure they met ring fencing requirements.</p> <p>We obtained the seconded employee register and selected samples of 5 employees seconded in the compliance year.</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
		<p>While there are shared locations, namely Freshwater Place and Beaconsfield, they are not Prohibited Shared Offices. There are separate offices within each location (as per the definition in the Guideline) which ensure the requisite separation of relevant CES employees and DCS employees.</p> <ul style="list-style-type: none"> At Freshwater Place relevant CES employees only have unaccompanied access to Level 29 (a separate office) Also, at Beaconsfield there are separate and (unaccompanied) access restricted parts of the building that ensure the requisite office separation between relevant DCS employees and CES employees. <p><i>Building access card requests</i></p> <p>All building access card requests are made via the ServiceNow Portal, with electronic records of each request and approvals retained.</p> <p>As part of the online request, the following question is asked:</p> <ul style="list-style-type: none"> Is this position affected by Ringfencing? <p>In February 2023, this question was removed and all building access requests are work flowed to the Compliance team for ring-fencing approval.</p> <p>By October 2023, the process for building access approvals moved to the Building Services team. The Building Services team members are required to perform ring-fencing training which is the same training provided to all AES employees. In addition, there has been briefing session with the responsible person within the Building Service team in relation to establishing ring-fencing control. Some of these controls include SNOW (Service Now - Help Desk building request forms) as well as monthly review of building access.</p> <p><i>Review of building access in 2023</i></p> <p>The AES compliance team undertook a review of building access. This review focused on:</p> <ul style="list-style-type: none"> Who has access to Beaconsfield and Freshwater Place and is this appropriate? What building access do ring-fenced team members have and is this appropriate? <p>If it was identified that an employee had access to an area which was not appropriate, access was resolved and building access logs for that employee were also reviewed.</p> <p>No control failures were identified as part of this building access review.</p>	<p>For sampled secondees, we have obtained and inspected the signed secondment agreement and the access granted to the employees.</p> <p>We additionally inspected the site access for 9 personnel within the Development and Future Networks Team to determine if their access was appropriate for their roles from a ring-fencing perspective.</p> <p>We have obtained the review work performed by the Building Service team.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, we noted:</p> <ul style="list-style-type: none"> Through discussions with management, it was established that a review of building access was performed in May 2023 focused on identifying potentially inappropriate access from a ring-fencing perspective at Freshwater Place and Beaconsfield. We inspected the materials summarising the scope and results of this assessment and noted no instances of breaches were detected. AES has separate offices from which a related electricity service provider provides contestable electricity services. AES has formal approval process on granting employee access to the respective level or office. We selected a sample of 5 seconded employees and obtained evidence for each of these positions that they were staff able to be shared in line with the Guidelines. We inspected the access of 9 employees within Energy Services as part of Development and Future Networks which we consider to be of specific risk with regards to ring-fencing. We concluded their access was appropriate given their position. We have inspected the monthly review performed by the Building Service team for the month of December 2023 and noted that there were no exceptions noted. 	

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		<p>From October 2023, this review process was embedded in the Building Services team, who now conducts monthly reviews of access to ensure employees in ring-fenced teams have appropriate access. No control failures have been identified as part of this process.</p> <p><i>Working from home</i></p> <p>Following the COVID-19 restrictions during calendar years 2020 and 2021 which resulted in most employees (other than critical staff, such as network controllers) working from home, flexible working arrangements continued during the calendar year 2023 where employees continued to work remotely on a part-time basis.</p> <p>NextSpace refurbishment</p> <p>Working at AusNet has been transformed by the NextSpace project which introduced a hot desking approach as part of office and depot refurbishments. Ring-fencing obligations were factored into the office renovations including the installation of security doors on level 29 to restrict access to this floor once the new internal stairs between levels 29 and 30 were commissioned in February 2023. Other than the internal stairs, the only way to access level 29 and levels 30 to 32 is via the lift with building access cards preventing ring-fenced employees from accessing their prohibited floors.</p>	<p>Recommendations: None Noted.</p>	
4.2.2	(a) Subject to this clause 4.2.2, a DNSP must ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.	<p>The Compliance team has performed a full site access analysis by reviewing the role and the associated access rights. The assessment focuses on identifying staff with access to “electricity information” and who have the opportunity to use that information to engage in conduct that would provide a competitive advantage to an affiliated entity or otherwise engage in conduct contrary to clause 4.1 of the Guideline.</p> <p>In line with the Guideline, roles providing corporate services are exempted from the obligation. AES has identified the following types of roles to be out of scope from the requirement to include on the staff sharing register (under clauses 4.2.2(b)i.c / 4.2.4(b)):</p> <ul style="list-style-type: none"> Executives Technology Administration Payroll Legal Regulatory Accounting/finance Strategy and transformation 	<p>Discussion held with:</p> <ul style="list-style-type: none"> Corporate Communications Manager Senior Marketing Manager Legal Counsel Compliance Manager Regulatory Compliance Officer <p>Procedures performed:</p> <p>We obtained and inspected a list of AES employees to identify any role descriptions that do not comply with this obligation.</p> <p>We obtained and inspected the AES’ staff sharing register and cross-checked against the employee listing for completeness.</p> <p>We obtained and inspected the seconded employee register and noted no staff were seconded between AES and Mondo during the compliance year.</p>	Effective

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		<p>Design and back-office marketing support (not sales, business development or customer facing)</p> <p>It should also be noted that to the extent that staff are not involved in the operation or marketing of contestable electricity services (which, in accordance with the relevant definitions under the Guideline, do not include Transmission services, gas network or connection services or water utility services) they are also not restricted from being shared and the roles and positions etc of such staff are not required to be included on the staff sharing register.</p> <p>AES has identified a list of roles that are shared in connection with the direct control services and contestable electricity services (eg Energy Services). These roles are listed in the staff sharing register and is published on to the AES website. These roles are involved in the provision or marketing of direct control services, who are also involved in the provision or marketing of contestable electricity services by a related electricity service provider, but have no electricity information, or no opportunity to use that electricity information to engage in conduct that is contrary to clause 4.1 of the Guideline.</p> <p>In AES Ring-fencing policy, AES is required to ensure continuous compliance in relation to staff sharing. The Human Resource People team is responsible to capture all new hires and staff movements that are (or which they are unsure may be) affected by Ring-Fencing. The Compliance team reviews and updates the staff sharing register and maintains the register on the website. The responsible hiring manager of all shared staff are required to complete the employee checklist which includes ring-fencing considerations. The completed checklist requires approval from the employee's direct manager, the Legal team, and the relevant EGM of the business unit.</p> <p>The Staff Sharing Register (which also contains the Office Sharing Register) was last updated on 31 March 2023 and is updated on a quarterly basis as a responsibility of the compliance team.</p>	<p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted with AES' compliance against the obligation with key points below:</p> <ul style="list-style-type: none"> AES appropriately identified distinct roles for its RES and Mondo employees, ensuring there are no staff sharing that is not in line with the Guideline. Employees shared are included in the staff sharing register, published on the AES' website, which is publicly available. <p>Recommendations:</p> <p>None noted.</p>	
4.2.2	(c) The remuneration, incentives, and other benefits (financial or otherwise) a DNSP provides to a member of its staff must not give the member of staff an incentive to act in manner that is contrary to the DNSP's obligations under this Guideline.	<p>For all employees employed under individual employment agreements, fixed annual remuneration (base salary plus superannuation) is set with consideration for internal and external relativities following a consistent process. Different pay ranges may apply to different role types/families but are not differentiated by Business Unit or function. The setting and review of pay ranges is done by the People team. Annual fixed remuneration increase budgets and guidance are set at an organisational level with no differentiation by Business Unit or function. Individual annual increase amounts are generally determined by a combination of individual performance and an employee's position within the</p>	<p>Discussion held with:</p> <p>Head of Remuneration and Compliance Legal Counsel Compliance Manager Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We obtained and perused the remuneration policy and internal comms to both executives and rank and file employees and noted that it is the internal performance</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
		<p>respective pay range. All decisions are calibrated and approved at a team, function/Business Unit and organisational level to promote fairness and equity.</p> <p>All benefits programs at AES are broadly accessible by all employees with no differentiation by Business Unit or function (an exception is those benefits that form part of specific industrial agreements that may be applicable only to employees in certain legal entities, eg Gas Distribution vs. Electricity Distribution, etc).</p> <p>AES's Short-Term Incentive (STI) plans are based on business performance at an organisational level as well as individual performance assessed against role requirements, individual key performance indicators and mandatory and minimum expectations (eg training, compliance, conduct, behaviours, etc.).</p> <p>Organisational performance for the year is assessed against group wide HSE, enterprise priorities (changed from specific strategic KPIs of USAIDI and CAB to provide a broader and subjective view of strategic performance across the organisation), and financial performance criteria. For CY2023, the group-wide financial measures considered were EBITDAa1, AFFO and Opex (excluding D&FN Opex). HSE performance is assessed at a group-wide basis against the organisational HSE Index and includes KPIs around RIFR, HiPo incidents and Environmental hazards/near misses and incidents.</p> <p>While assessment against these measures informs STI outcomes for all eligible employees, the Board retains absolute discretion to moderate outcomes at an organisational, function/Business Unit and individual basis having consideration for the context in which results were delivered, including factors such as unforeseen (or known but unquantifiable) events and demonstrated behaviours, values and leadership.</p> <p>All STI decisions are calibrated and approved at a team, function/Business Unit and organisational level to promote fairness and equity.</p> <p>Management is of the view that the risk that remuneration, benefits and/or incentive arrangements will incentivise staff to take advantage of electricity information to boost performance is low as there are the following safeguards in place:</p> <ul style="list-style-type: none"> • Against the AusNet Code of Conduct • Each Business Unit's performance is only one of the contributors to overall AST group performance • It is difficult for one individual to make a material impact on group performance 	<p>development and STI manual details the remuneration, incentive and KPIs of employees.</p> <p>We have obtained sample KPI scorecards for AES and Mondo management.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted with AES' compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> • We observed that D&FN staff have a 15% weighting to group EBITDA compared with 20% for corporate employees. The major driver for D&FN staff STIs remains D&FN EBITDA and Margin. As such the AES remuneration policy is not expected to give staff a material incentive to act in a manner contrary to the Guideline. • In line with prior period, we also observed that executive personnel within D&FN because of the organisation's structure have direct reports on either side of ring fence. We enquired with management how incentive related risks associated with this are managed, from which we established the following: <ul style="list-style-type: none"> - All D&FN staff, including managers/executives are subject to soft controls around ring-fencing training. - All distribution business Capex spend above \$1m requires the approval of the Investment Committee (which is currently chaired by the Chief Financial Officer). These execs identified by EY and other managers / executives on the D&FN business do not sit on this Investment Committee when discussing distribution business Capex spend. While members of the Emerging Markets team may be involved in the Investment Committee by presenting non-network solution business cases for approval, no managers / executives from D&FN are involved in the decision making when approving distribution business Capex spend above \$1m. 	

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		<ul style="list-style-type: none"> Any manipulation of the results that is significant is likely to stand out in preparation of statutory financial statements STI will be held back or employee will be dismissed if a breach of Code of Conduct/ Ring-fencing policy is detected STI and fixed remuneration processes include multiple layers of review at an individual, team, function/Business Unit and organisation level to calibrate outcomes and drive appropriateness, fairness and equity The linkage to group profit is designed to ensure that the total incentive pool is “affordable” given the group results, rather than encourage inappropriate information sharing in breach of the Guideline, and company Code of Conduct <p>The STI Plan includes broad discretions of the Board over all elements of the plan, including the assessment of organisation and individual outcomes.</p>	<ul style="list-style-type: none"> In relation to distribution business Capex spend below \$1m, this spend needs to be approved by the relevant distribution business GM. As above, the Emerging Markets team may be involved in presenting business cases to the relevant distribution business GM, but no managers or executives from D&FN are involved in the Capex decision making process. <p>Recommendations: None noted.</p>	
4.2.3	<p>(a) A DNSP:</p> <p>i. must use branding for its direct control services 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. must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement or cross-promotion);</p> <p>iii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>	<p>AES has implemented a training program to outline the branding and marketing requirements per the Guideline to the whole business. This includes ensuring the branding used for direct control services is separate and independent from the branding used for contestable electricity services.</p> <p>AES branding is independent and separate from Mondo. Style Guidelines for each has been established and documented.</p> <p>AES has included guidance on branding requirements as part of its Ring-Fencing obligations. This policy covers:</p> <ul style="list-style-type: none"> All Mondo office signage and Mondo branded vehicles where an AES logo or tagline is used The design and layout of websites and social media platforms, including email signatures for branding that potentially breaches the Guidelines. The design of employee uniforms for both Mondo and AES 	<p>Discussion held with:</p> <ul style="list-style-type: none"> Corporate Communications Manager Senior Marketing Manager Legal Counsel Compliance Manager Regulatory Compliance Officer <p>Procedures performed:</p> <p>We visited the AES website to review if there are any contestable electricity services being published on the website.</p> <p>We perused the online training slides used by AES to communicate the branding requirement to employees per the Guidelines.</p> <p>We obtained and perused the Style Guideline policies to verify that AES and Mondo Style Guideline are separate.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted with AES’ compliance against the obligation with the key point(s) noted below:</p> <ul style="list-style-type: none"> AES has included a branding policy in its Ring-fencing policy to address separate branding for its RES and Mondo business. 	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
			Recommendations: None noted.	
4.2.4	<p>(a) A DNSP must establish, maintain and keep a register that identifies:</p> <p>i. the offices to which it has not applied clause 4.2.1(a) by reason of clauses 4.2.1(b)i. or 4.2.1(b)iii.;</p> <p>ii. the staff positions (including a description of the roles, functions, and duties) of those staff positions to which it has not applied clause 4.2.2(a) by reason of clauses 4.2.2(b)i.a., 4.2.2(b)i.b., 4.2.2(b)iii. or 4.2.2(d);</p> <p>iii. the staff positions referred to in clause 4.2.4(a)ii. which are held, or have been held within the previous three months, by a member of staff whose access to electricity information ceased upon, or in the 12 months prior to, commencing in that position, and the dates on which that member of staff commenced to hold and (if applicable) ceased to hold that position.</p> <p>(b) No later than 15 January, 15 April, 15 July and 15 October each year, a DNSP must publish, on its website, an updated version of each of the registers referred to in clause 4.2.4(a). The DNSP must ensure that the information published in each updated version is current to the end of the calendar month that is immediately prior to the required publication date for that updated version under this clause 4.2.4(b).</p>	<p>The AES Compliance team is responsible for maintaining and updating the office sharing and staff sharing register, which is publicly available on the AES website.</p> <p>In the update to the Staff and Office sharing register, in 2021, the offices at FWP and Beaconsfield have been listed. Importantly, as per the Guideline, there are multiple offices at each of these sites.</p> <p>The sites have been included in the register as there is still some permitted sharing of staff within offices at each of those locations. The other sites included on the Ringfenced staff and location document (namely, depots, Flinders Street and Yarraville) are not shared sites within the meaning of the Guideline (eg direct control services and contestable electricity services are not both provided at any of those sites).</p> <p>The staff sharing register describes the nature of positions including the roles, functions, and duties of these roles. The staff sharing register was prepared based on the staff needed to perform roles in relation to both direct control services and contestable electricity services of an affiliate of the DNSP, in accordance with the requirements of the Guideline. The completeness of the register is regularly monitored and updated through the approval process.</p>	<p>Discussion held with:</p> <p>Compliance Manager Legal Counsel Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We inspected the site sharing and staff sharing register published on AES' website.</p> <p>We assessed the process undertaken to maintain and update the office sharing and staff sharing register.</p> <p>We have inspected the content of the staff sharing register and note that it is in line with requirements of the Guideline.</p> <p>We checked consistency against management assessment performed and assessed against other information obtained throughout the audit and noted no inconsistent information.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted with AES' compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> • AES has established and maintained an office sharing register • AES has established and maintained a staff sharing register • AES has maintained the secondment register with clear role description • AES has a checklist for the hiring manager to assess potential actions are required when seconding employees. <p>Recommendations: None noted.</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
4.3.1	<p>Subject to this clause 4.3, a DNSP must:</p> <p>(a) keep ring-fenced information confidential; and</p> <p>(b) only use ring-fenced information for the purpose for which it was acquired or generated.</p>	<p>AES has a Privacy Policy in place, that was IAES reviewed in February 2024. The Privacy Policy encompasses treatment of personal information, which is interpreted as ring-fenced information in the Ring-fencing Guideline context. The Ring-fencing Policy has extended the Privacy Policy to ring-fenced information.</p> <p>All AES employees are required to complete an online Privacy compliance training annually. Upon completing the training, employee will get a certificate of competency in relation to the specific training. The Compliance team monitors the completion status of the mandatory training.</p> <p>AES identified a risk that where technology systems are shared across businesses for economies of scale, disclosure of information that is otherwise protected by the Guideline may occur. Access to DNSP systems which may contain electricity information are restricted from contestable teams other than in circumstances that are exempt under the Guideline. This includes creating role-based access to control visibility of data via shared systems.</p> <p>SAP Ring Fencing Project created and deployed new CES Roles users in SAP. There are proper procedures and risk mitigation process in placed:</p> <ol style="list-style-type: none"> CES Roles are clearly labelled in the system with a Suffix of “_CES” in SAP. CES Roles restrict users to perform functions within their Development & Future Network organisational areas. New user set up requests, positions changes, additional access are approved by role manager which the user group belong to. Once approved, the AMS Security perform the physical changes in SAP. <p>The controls for Ring-fencing IT access sit currently with the Compliance team, who are the gatekeepers to ensure that no information disclosure of ring-fenced information occurs. Advice has been provided historically and workflows designed to account for ring-fencing approval.</p> <p>In case of any 3rd party IT service providers, currently, WIPRO/IBM, will only provide access when all the approvals have been provided as per workflows. These parties are not in a position to discriminate. Contracts with these providers would have appropriate clauses that cover compliance with relevant laws and regulations.</p>	<p>Discussion held with:</p> <p>Members of the Network Planning and Connections Teams</p> <p>Compliance Manager</p> <p>Legal Counsel</p> <p>Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We obtained the Privacy Policy and noted the interpretation of confidential information.</p> <p>We obtained BI Dashboard Screenshot to confirm the completion rate on the mandatory Privacy Compliance training to be performed by all employees.</p> <p>We obtained and perused the Logging and Monitoring Policy, which ensures logging and monitoring systems are in place to allow detection of unauthorised information processing activities.</p> <p>We performed testing on the list of employees with system access to electricity information to ensure that they were appropriate employees in the context of the Guideline.</p> <p>We assessed the process undertaken by management to reorganise user system access to SAP CES access, SAP CIS, Power On Fusion, SDME and S Net Explore systems.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted with AES’ compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> AES has in place a personal information privacy policy and procedures We noted that 23 employees have not completed the mandatory Privacy Compliance training as of 15 March 2024. We isolated a population of 140 Development and Operations Safety as well as Development and Future Networks employees from the HR Master file of AES. We then performed a cross check on a sample basis to the system access logs to see if these employees had access to the following 	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
			<p>systems (SAP CIS, Salesforce, PowerOn Fusion, SDME as well as SNet).</p> <ul style="list-style-type: none"> Nothing came to our attention through the execution of our testing that the access held by the employees was inappropriate from a Ring-Fencing perspective. It was noted that consistent with the prior period there were no practical system controls in place to ensure these employees do not have access to confidential information, refer to recommendations below. We note also that a Ring-Fencing review was carried out in September 2023. This has included identifying risk at the employee level and considered key areas such as site and system access. We have obtained and inspected documentation supporting this review as part of our procedures. <p>Recommendations: None noted.</p>	
4.3.2	A DNSP must not disclose ring-fenced information to any person, including a related electricity service provider, unless an exemption applies.	<p>The exemptions listed by AER in the Guideline are</p> <ul style="list-style-type: none"> the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the ring-fenced information relates; the disclosure is required by, or for the purpose of complying with any law; the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services, or its other services (including by acquiring services from other legal entities); the information has been requested by or on behalf of a customer, 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; the disclosure is solely for the purpose of providing assistance to the extent necessary to respond to an event (such as an emergency) that is beyond a Network Service Provider's reasonable control; the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP; where another DNSP is an affiliated entity of the DNSP, 	<p>Discussion held with: Compliance Manager Legal Counsel Regulatory Compliance Officer</p> <p>Procedures performed: We have discussed with management AES consideration of the exemptions per the Guideline.</p> <p>Observation: Based upon the discussions held and procedures performed, no exceptions were noted on AES' compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> AES has in place a process to maintain and keep an information register. AES has in place a process to govern information sharing with an affiliated entity. <p>AES has in place a process to protect confidential information.</p> <p>Recommendations:</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
		<ul style="list-style-type: none"> the disclosure is to the part of that other DNSP that provides that other DNSP's direct control services; a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.3 in relation to that ring-fenced information; or or another legal entity, other than a related electricity service provider of the DNSP, has requested the disclosure. 	None noted.	
4.3.3	<p>(a) Subject to clause 4.1(c)iv. and to this clause 4.3.3, where a DNSP shares ring-fenced information with a related electricity service provider, or where ring-fenced information that a DNSP has disclosed under clause 4.3.2(f) is then disclosed by any person to a related electricity service provider of the DNSP, the DNSP must provide access to that ring-fenced information (including the derived information) to other legal entities on an equal basis.</p> <p>(b) A DNSP is only required by clause 4.3.3(a) to provide information to a legal entity where:</p> <p>i. the legal entity has requested that it be included on the information register in respect of information of that kind; and</p> <p>ii. the legal entity is competing, or is seeking to compete, with the DNSP, or a related electricity service provider of the DNSP, in relation to the provision of contestable electricity services.</p> <p>(c) A DNSP is not required by clause 4.3.3(a) to provide information to a legal entity where the DNSP has disclosed the information in the circumstances set out in clauses 4.3.2(a) to (e).</p>	<p>AES has included in its Ring-fencing policy setting out the contents of an information register, which includes organisations which have requested access to information and the kind of information sought.</p> <p>The Ring-fencing policy prohibits staff inappropriately sharing information, other than through the formal process listed out in the information sharing protocol, as published on the AES website.</p> <p>The information sharing register is maintained by the Compliance team.</p> <p>Information has been shared during CY2023 as detailed in the information sharing register published on the AES website: Ring-fencing compliance (ausnetservices.com.au)</p>	<p>Discussion held with:</p> <p>Members of the Network Planning and Connections Teams</p> <p>Compliance Manager</p> <p>Legal Counsel</p> <p>Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We obtained and inspected the information sharing protocol and register to ensure that AES has in place appropriate information handling procedures and policies.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted for the following:</p> <ul style="list-style-type: none"> AES has in place a process to maintain and keep an information register. AES has in place a process to govern information sharing with an affiliated entity. AES has in place a process to protect confidential information. <p>Recommendations:</p> <p>None noted.</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
	<p>(d) Without limiting clause 4.3.3(a), a DNSP must establish an information sharing protocol that sets how and when it will make the information referred to in clause 4.3.3(a) available to legal entities and must make that protocol publicly available on its website.</p> <p>(e) Where a DNSP discloses information referred to in clause 4.3.3(a) to any other legal entity under this clause 4.3.3, it must do so on terms and conditions that require the other legal entity to comply with clause 4.3.1 and 4.3.2(a) to (d) in relation to that information as if the other legal entity was a DNSP.</p>			
4.3.4	<p>(a) A DNSP must establish, maintain and keep a register of all:</p> <ul style="list-style-type: none"> i. related electricity service providers; ii. 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. <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> <ul style="list-style-type: none"> i. identify the kind of information requested by the legal entity; and ii. describe the kind of information requested by the related electricity service provider or other legal entity in sufficient detail to enable other legal entities to make an 	<p>AES has included in its Ring-fencing policy setting out the contents of an information register, which includes organisations which have requested access to information and the kind of information sought.</p> <p>The Ring-fencing policy prohibits staff inappropriately sharing information, other than through the formal process listed out in the information sharing protocol, as published on the AES website.</p> <p>The information register is maintained by the Regulation team, as any information request goes through the Regulation team.</p> <p>There are no shared information and no information request received as at the date of the report.</p>	<p>Discussion held with:</p> <ul style="list-style-type: none"> Members of the Network Planning and Connections Teams Compliance Manager Legal Counsel Regulatory Compliance Officer <p>Procedures performed:</p> <p>We obtained and inspected the information sharing protocol and register to ensure that AES has in place appropriate information handling procedures and policies.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions had been noted on AES' compliance against the obligation with the key points noted below:</p> <ul style="list-style-type: none"> • AES has in place a process to maintain and keep an information register. <p>Recommendations:</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
	<p>informed decision about whether to request that kind of information from the DNSP</p> <p>(c) A legal entity may request that the DNSP 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>		None noted.	
4.4.1	<p>A DNSP:</p> <p>(a) must ensure that any new or varied agreement between 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> <p>i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and</p> <p>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP, as if the service provider was the DNSP.</p> <p>(b) must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's obligations under clause 4 of this Guideline.</p>	<p>Together with the legal team, AES has developed various Statement of Works for the respective Mondo provisions of services, which includes and not limited to chemical testing services, metering services, HV asset testing and others. A Master Procurement Agreement (MPA) was also developed to formalise existing and future arrangements for contestable electricity services provided by affiliated entities to AES, and for any direct control services provided by AES to any affiliated entity. The MPA is developed based on a third-party contract, to ensure the terms and conditions set out are not discriminatory against external parties.</p> <p>AES has a Procurement Principles and Procurement Framework in place, which we have assessed as part of Clause 4.1(c).</p>	<p>Discussion held with:</p> <p>Members of the Procurement Team Compliance Manager Legal Counsel</p> <p>Procedures performed:</p> <p>We obtained and perused the updated standard terms and conditions for Supply of Goods & Service Agreement for orders up to [REDACTED] and [REDACTED] up to [REDACTED].</p> <p>We sample tested contracts entered into from 1 January 2023 to 31 December 2023 to ensure the relevant ring-fencing clauses have been included.</p> <p>Observation:</p> <p>Based upon the procedures performed, we noted the following:</p> <ul style="list-style-type: none"> • AES has in place a process to ensure arrangements with service providers are in accordance with the Guideline. • Based on a sampled selection of contracts and contract variations entered from 1 January 2023 to 31 December 2023, we noted an instance in our sample whereby the ring-fencing provisions were not explicitly included within the contract. <p>Recommendations:</p> <p>We recommend management continue to refine the process by implementing further controls for</p>	Partially Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
			identifying and assessing contract or variations to contracts for inclusion of the ring-fencing provisions.	

Obligation: Waivers – Section 5

Guidance Assessment Criteria and Assessment Controls

Ref	Compliance Obligation	Process Description	Testing	Grading
5.7	<p>(a) A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) granted to the DNSP by the AER under clause 5 of this Guideline, and must make the register publicly available on its website.</p> <p>(b) The register established under clause 5.7(a) must include:</p> <p>i. the description of the conduct to which the waiver or interim waiver applies; and</p> <p>ii. the terms and conditions of the waiver or interim waiver; 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.</p>	<p>Based on AES analysis of its circumstances against the Guideline, AES had a few existing arrangements that were not aligned with the Guideline including:</p> <ul style="list-style-type: none"> Public lighting and nightwatchman lights (including: alteration and relocation of distributor public lighting assets; new public lights, and installation, repair and maintenance of watchman lights); Emergency recoverable works; Reserve feeder construction. <p>It is noted that AusNet did not have any active waivers in place during the 2023 compliance year.</p>	<p>Discussion held with:</p> <p>Compliance Manager Legal Counsel Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We have obtained and inspected the waiver register to assess the register's inclusion of waiver details as required by the Guideline.</p> <p>We noted that AusNet did not have any active waivers in place during the 2023 compliance year.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted with AES' compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> AES has processes and controls in place to establish and maintain the waiver register <p>Recommendations:</p> <p>None noted.</p>	Effective

Obligation: Compliance and enforcement – Section 6

Guidance Assessment Criteria and Assessment Controls

Ref	Compliance Obligation	Process Description	Testing	Grading
6.1	<p>A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline. The AER may require the DNSP to demonstrate the adequacy of these procedures upon reasonable notice. However,</p>	<p>AES has internal procedures in place to ensure it complies with obligations under the Guideline. Each obligation clause under the Guideline is put under a Responsible person in AES.</p> <p>On a quarterly/annual basis, depending on priority grading of each compliance clause, the compliance system will automatically generate a prompt or a reminder to the responsible person to confirm the compliance status of the specific obligation. Also, the Compliance team obtains input from the respective responsible</p>	<p>Discussion held with:</p> <p>Legal Counsel Compliance Manager Regulatory Compliance Officer</p> <p>Procedures performed:</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
	any statement made, or assurance given by the AER concerning the adequacy of the DNSP's compliance procedures does not affect the DNSP's obligations under this Guideline.	person in regard to the status of compliance for each Guideline obligation. Inputs include movements or changes in their respective areas, and how these changes align to the obligation. The Compliance team collates the information on the status and progress and any issues noted AES has continued to use a dedicated ring-fencing email inbox to allow employees easy access to the project team to ask any questions or clarify policy and procedures put in place by AES.	We obtained and perused the Ring-fencing Policy which demonstrates that it complies with AER's requirement on compliance procedures. We obtained and inspected the compliance spreadsheet tracker populated by the Compliance team which includes input from responsible person. We obtained and inspected the compliance calendar utilised by the Compliance team which includes all the reminder to submit the report. Observation: Based upon the discussions held and procedures performed, no exceptions were noted with AES' compliance against the obligation with the key points noted below: <ul style="list-style-type: none"> AES has a specific regulatory compliance monitoring and reporting process to facilitate compliance. Recommendations: None noted.	
6.2.1	(a) A DNSP must prepare an annual ring-fencing compliance report each calendar year in accordance with this clause 6.2.1, and submit it to the AER in accordance with clause 6.2.2. (b) The annual compliance report must identify and describe, in respect of the calendar year to which the report relates: i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline; ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP; iii. all other services provided by the DNSP in accordance with clause 3.1; and	The responsibility for each obligation clause under the Guideline is assigned to a responsible person within AES. Each quarter, the Compliance team obtains input from the respective responsible person in regard to the status of compliance for each Guideline obligation. The Compliance team collates the information on the status and progress and any issues noted, to prepare the annual ring-fencing compliance report. AES has engaged Ernst and Young as the independent authority to assess its annual compliance report.	Discussion held with: Legal Counsel Compliance Manager Regulatory Compliance Officer Procedures performed: We have been engaged by AES to perform as the independent authority to assess compliance in relation to ring fencing. We have obtained and inspected management's draft annual compliance report. Observation: Based upon the discussions held and procedures performed, no exceptions were noted with AES' compliance against the obligation with key point(s) below: <ul style="list-style-type: none"> AES has a specific regulatory compliance monitoring and reporting process to facilitate compliance. 	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
	<p>iv. the purpose of all transactions between the DNSP and an affiliated entity.</p> <p>(c) The annual compliance report must be accompanied by an assessment of compliance with each provision of this Guideline (except clauses 6.2.2 and 6.3) by a suitably qualified independent authority.</p> <p>(d) A DNSP's annual compliance report may, in relation to clause 3.2 of this Guideline, be based on information provided to the AER under a regulatory information notice for the DNSP's most recent regulatory year. If so, that annual compliance report must cover, in relation to clause 3.2 of this Guideline, the entirety of that regulatory year.</p> <p>(e) Annual compliance reports may be made publicly available by the AER.</p>		<p>Recommendations: None noted.</p>	
6.2.3	<p>Regulated stand-alone power systems reporting</p> <p>A DNSP must establish, maintain and keep a register that identifies, for each regulated stand-alone power system used by the DNSP to provide other services:</p> <p>i. the local government area in which the regulated stand-alone power system is deployed;</p> <p>ii. the number of premises served by the regulated stand-alone power system;</p> <p>iii. the maximum demand, in kW, served by the regulated stand-alone power system;</p> <p>iv. the aggregated annual average energy consumption, in kWh, of</p>	<p>AusNet had no regulated stand-alone power systems in place in the 2023 compliance year.</p> <p>The regulated stand-alone power system register is formally reviewed on a quarterly basis by the Compliance team.</p> <p>On a quarterly basis, the AusNet Compliance Management System sends an automated compliance task alert to the nominated member of the Compliance Team to perform a formal review of the register.</p> <p>Maintaining the regulated stand-alone power systems register also includes ensuring its visibility on the AusNet website. A dedicated ring-fencing webpage is in place with changes to the AusNet ring-fencing webpage are performed by the Customer Communications Team as directed by the Compliance teams.</p> <p>Link to the webpage: Ring-fencing compliance (ausnetservices.com.au)</p>	<p>Discussion held with: Legal Counsel Compliance Manager Regulatory Compliance Officer</p> <p>Observation: Based on the discussion held and procedures performed, no exceptions were noted with AES compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> We observed that AES has last updated the SAPS register on its website on the 31/12/2023. <p>Recommendations: None noted.</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
	<p>the premises served by the regulated stand-alone power system;</p> <p>v. the revenue earned by the DNSP for providing other services by means of the regulated stand-alone power systems in the current calendar year; and</p> <p>vi. whether the DNSP has made a request, in writing, for the supply of the other services by another legal entity (other than an affiliated entity of the DNSP). No later than 15 January, 15 April, 15 July and 15 October each year, a DNSP must publish, on its website, an updated version of the register referred to in clause 6.2.3(a).</p> <p>The DNSP must ensure that the information published in each updated version is current to the end of the calendar month that is immediately prior to the required publication date for that updated version under this clause 6.2.3(b).</p>	<p>Victoria has not yet applied the National Electricity Rules (NER) changes, which would define regulated stand-alone power systems, to operate SAPS. Amendments are expected in Q3 2024. Because Victoria hasn't put the NER rule change in place, AusNet doesn't own any SAPS and therefore does not have any SAPS on the register.</p>		

5. Audit Opinion

Independent assurance report to the Directors of AusNet Electricity Services Pty Ltd

Opinion

We have undertaken a reasonable assurance engagement, as defined by the Standards on Assurance Engagements, to report on whether the Annual Compliance Report of AusNet Electricity Services Pty Ltd (“the Company”) presents fairly the Company’s compliance, in all material respects, with the compliance requirements as evaluated against the *Ring-fencing Guideline – Electricity Distribution Version 3* (the “Guideline”), for the period of 1 January 2023 to 31 December 2023 for the purpose of reporting to the Australian Energy Regulator.

In our opinion, drawing attention to our audit findings in Summary of Audit Findings, the Company’s Annual Compliance Report presents fairly, in all material respects, the Company’s compliance with the compliance requirements as evaluated against the Guideline for the period 1 January 2023 to 31 December 2023.

Basis for opinion

We conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* 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.

AusNet Electricity Services Pty Ltd’s responsibilities

The Company is responsible for:

- a. Providing an Annual Compliance Report with respect to the outcome of the evaluation of the compliance activity against the compliance requirements, which accompanies this independent assurance report;
- b. Identification of the compliance requirements if not identified by law and regulation;
- c. The compliance activity undertaken to meet the compliance requirements; and
- d. Identification and implementation of controls which will mitigate those risks that prevent the compliance requirements being met and monitor ongoing compliance.

Our independence and quality management

We have complied with the independence and relevant ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance practitioner’s responsibilities

Our responsibility is to express an opinion, on the Company’s Annual Compliance Report with the compliance requirements, in all material respects as evaluated against the Guideline, for the period of 1 January 2023 to 31 December 2023. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether, the Company’s Annual Compliance Report, presents fairly, in all material respects, the Company’s compliance with the compliance requirements as evaluated against the Guideline for the period of 1 January 2023 to 31 December 2023.

An assurance engagement to report on the Company’s Annual Compliance Report with respect to the entity’s compliance with the compliance requirements involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the compliance requirements. The procedures selected depend on our judgement, including the identification and assessment of risks of material misstatements in the Annual Compliance Report are likely to arise.

Inherent limitations

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

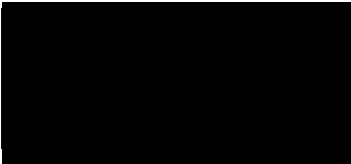
Our methodology involved obtaining an understanding of the Guideline, identifying the obligation clauses as per the Guideline applicable to the Company, and designing and performing procedures to determine whether management controls are in place to satisfy the obligation clauses as per the Guideline. Our tests of controls were primarily conducted using inquiry, observation, and inspection procedures. In certain situations, we have relied upon representations from management through inquiry only.

A reasonable assurance engagement for the period of 1 January 2023 to 31 December 2023 does not provide assurance on whether compliance with the compliance requirements will continue in the future.

Restriction on use of report

This assurance report has been prepared in accordance with the requirements of the *Ring-fencing Guideline – Electricity Distribution Version 3*. Our report is intended solely for use by AusNet Electricity Services Pty Ltd and the Australian Energy Regulator (collectively the “Recipients”) pursuant to the terms of our engagement agreement dated 19 February 2024.

We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.



Ernst & Young

Melbourne
30 April 2024