



Independent Reasonable Assurance Report

To the Directors of Power and Water Corporation

Conclusion

In our opinion, Power and Water Corporation's ("Power and Water") Statement of Compliance that the entity, with the exception of the non-compliances set out in the emphasis of matter paragraph below, has complied with its obligations under version 3 of the Ring-Fencing Guideline ("Guideline") published by the Australian Energy Regulator ("AER") on 3 November 2021, to the extent that its obligations have been derogated under clause 6.17.1B of the Northern Territory National Electricity Rules ("NT NER") published on 22 December 2021 ("Derogated Guideline") is, in all material respects, fairly presented for the regulatory period 1 January 2023 to 31 December 2023 ("Regulatory Period").

Emphasis of Matter

Without qualifying our conclusion, we draw attention to section 1.2.3 of Power and Water's Electricity Ring-Fencing Annual Compliance Report ("Annual Compliance Report"), which describes the clauses where compliance was not achieved for the Regulatory Period

Non-Compliance with Clause 4.3.4(b) of the Guideline – Information register

The Guideline requires that Power and Water maintain and publish an information register as required by Clause 4.3.4(b). The information requests made by Power and Water internal related electricity service providers (RESPs) and part RESPs has not been maintained and published on Power and Water's information register. This non-compliance remains ongoing at reporting date.

Non-Compliance with Clause 6.1 of the Guideline – Maintaining compliance

Clause 6.1 of the Guideline requires a Distributed Network Service Provider ("DNSP") establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline. By virtue of the non-compliance above Power and Water has not maintained appropriate internal procedures to comply with the Guideline.

Non-Compliance with Clause 6.2.3 of the Guideline – Regulated stand-alone power system reporting

The Guideline requires Power and Water to maintain and publish a register for stand-alone power systems. Power and Water has neither maintained nor published such a register. Power and Water has consulted with the AER and the AER has responded that no action will be taken at this time while AER's position may alter in the future.

Information subject to Assurance

The information subject to assurance is Power and Water's Statement of Compliance for the Regulatory Period, as set out in Power and Water's Annual Compliance Report prepared in accordance with the Guideline published by the AER on 3 November 2021, and derogated in clause 6.17.1B of the NT NER published on 22 December 2021, ("Statement of Compliance").

Scope

The scope of our reasonable assurance engagement is whether Power and Water's Statement of Compliance that the entity, has complied with its obligations under version 3 of the Guideline published by the AER on 3 November 2021, to the extent that its obligations have been derogated under clause 6.17.1B of the Northern Territory National Electricity Rules ("NT NER") published on 22 December 2021 ("Derogated Guideline") is, in all material respects, fairly presented for the Regulatory Period. The Statement of Compliance accompanies our report, for the purpose of reporting to the Directors of Power and Water and the AER.

Basis for our conclusion

We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* (ASAE 3100). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ASAE 3100 we have:

- used our professional judgement to plan our procedures and assess the risk of material misstatement in Power and Water's Statement of Compliance that the entity has, with the exception of the Non-Compliance identified and reported to the AER complied with its obligations under the Guideline;
- considered internal controls implemented to meet the compliance requirements of the Guideline; however, we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of procedures performed, findings and observations

In Appendix A, we provide an overview of the key procedures, observations and findings in relation to each of the Guideline's requirements. This overview is provided at the request of the AER to provide greater transparency over the work we performed. Our conclusion is not modified in this respect.

In Appendix B, we have summarised performance improvement observations. Our conclusion is not modified in respect of these observations.

How we define reasonable assurance and material misstatement

- Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material misstatement in Power and Water's Statement of Compliance when it exists.
- Instances of misstatement in Power and Water's Statement of Compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users taken on the basis of Power and Water's compliance with the requirements of the Guideline.

Inherent limitations

- Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or material misstatement in Power and Water's Statement of Compliance may occur and not be detected.
- A reasonable assurance engagement for the Regulatory Period does not provide assurance on whether compliance with the requirements of Guideline will continue in the future.



Use of this assurance report and matters relating to electronic publication

This report has been prepared for the Directors of Power and Water and the AER for the purpose of compliance with the Guideline and may not be suitable for another purpose.

We understand that the AER intends to publicly release our assurance report via its website. The AER is responsible for the integrity of AER's website where our report is presented alongside the Annual Compliance Report. We have not been engaged to report on the integrity of the AER's website. This report refers only to the Statement of Compliance and does not provide an opinion on any other information which may have been hyperlinked to/from the Annual Compliance Report. If users of the Annual Compliance Report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the Annual Compliance Report to confirm the information contained in this website version of the Annual Compliance Report.

We disclaim any assumption of responsibility for any reliance on this report, or the Annual Compliance Report to which it relates, to any person other than the Directors of Power and Water and the AER, or for any other purpose other than that for which it was prepared.

Management's responsibility

Management is responsible for:

- the compliance activities including identifying, designing and implementing controls to meet the requirements of the Guideline;
- identification of the risks that threaten Power and Water's compliance with the Guideline from being met;
- monitoring ongoing compliance; and
- preparing an Annual Compliance Report and providing a Statement of Compliance with respect to the outcome of the evaluation of the compliance activity against the Guideline, which accompanies this Independent Assurance Report.

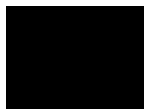
Our responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to Power and Water's Statement of Compliance with the Guideline for the Regulatory Period and to issue an assurance report that includes our conclusion.

Our independence and quality management

We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants (including Independence Standards) issued by the Australian Professional and Ethical Standards Board and complied with the applicable requirements of Australian Standard on Quality Management 1 to design, implement and operate a system of quality management.

KPMG



Partner

Darwin

29 April 2024



Appendix A – Summary of procedures performed, observations and findings

In this section, we present an overview of key procedures performed, observations and findings as part of our reasonable assurance engagement in respect of Power and Water’s compliance activities with the relevant requirements of version three of the Ring-fencing Guideline for the regulatory period 1 January 2023 to 31 December 2023.

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our conclusion reported in the Independent Reasonable Assurance Report.

We performed the following general procedures to assess Power and Water’s overall compliance with the Guideline:

- read the Ring-fencing Annual Compliance Statement to check that Power and Water’s overall compliance measures and internal controls for Ring-fencing had been documented for the purposes of this audit;
- conducted interviews and inquires to obtain an understanding of changes to the regulatory business activities and related compliance management approach;
- inspected supporting evidence which included policies, procedures and practices undertaken to embed Ring-fencing compliance measures during the regulatory period; and
- performed sample testing (where considered appropriate) to test effectiveness of the compliance measures for the regulatory period.

The following table provides a summary of procedures, observations, and findings for each Ring-fencing guideline requirement:

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
3 Prevention of cross subsidies			
3.1 Legal Separation	Power and Water has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
3.2.1 Separate Accounts 3.2.2 Cost allocation and attribution	Power and Water has the following: Preventative controls <ul style="list-style-type: none"> • Cost Allocation Methodology (CAM) as approved by the AER • Cost Allocation Management Program and Principles • Accounting and Cost Allocation Procedure • AER Ring-fencing Information Sharing Protocol published on the website Detective control <ul style="list-style-type: none"> • Cost Allocation Model reviewed and validated annually by an external regulatory consultant 	<ul style="list-style-type: none"> • We obtained and inspected the Cost Allocation Methodology (CAM) approved by the AER to verify its existence • Obtained an understanding of the CAM to check the CAM applied is consistent to that approved by the AER • Inquired with management if any changes were made to the CAM • Inspected the cost allocation accounting procedure manual and performed the following: <ul style="list-style-type: none"> ◦ Inspected the journals that were prepared according to the AER approved CAM ◦ Inspected a CAM journal sample to ensure journals were appropriately approved • Accessed Power and Water's Ring-fencing website to sight the publication of its information sharing protocol 	Status: Compliant Per the inspection of the sample of the applied monthly CAM journals processed, controls were operating effectively. On 30 October 2023, KPMG issued review reports (Estimated Historical Financial Information and the Non-Financial Information) and Agreed-upon procedures report (Actual Financial Data) report for the 12-month period ended 30 June 2023, in connection with our review and agreed upon procedures of the Power and Water Electricity Distribution Regulatory Information Notices ("RINs"). Based on our inquiries of management and walkthrough performed no changes to the AER approved CAM post 30 June 2023 were identified.

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
4 Functional Separation			
4.1 Obligation to not discriminate (B and C)	<p>Power and Water has the following: Preventative controls:</p> <ul style="list-style-type: none"> PWC's AER Ring-fencing website (external facing) PWC's AER Ring-fencing guidelines Fact Sheet (external facing) Mandatory online training on AER Ring-fencing in ELMO system AER Ring-fencing Explanatory Guide (internal facing) outlines the assessment of contestable services AER Ring-fencing guidelines Fact Sheet (internal facing) Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER Ring-fencing guidelines Contracts with external service providers that include standard terms and conditions Procurement templates approved by Legal for the use of all procurement activities Enterprise electronic document management system, content manager 9, has access restrictions on sensitive records 	<ul style="list-style-type: none"> Accessed Power and Water's Ring-fencing website to sight the publication of Ring-fencing guidelines / protocols Inspected Power and Water's online training portal (ELMO) for Ring-fencing training materials in place, assessed training content relating to Ring-fencing guidelines, training completion records across Power and Water for the reporting period and sighted evidence of monitoring of non-completion by senior management. Obtained and inspected Power and Water's internal facing guideline for assessment of contestable services Inspected a sample of procurements from 1 January 2023 to 31 December 2023 to check: <ul style="list-style-type: none"> the revised Conditions of Contract is being used in new procurement contract terms standard procurement templates were used quality assurance checklists completed for procurement activities over \$200,000 (i.e. grade 3) Obtained an understanding on restricting access to procurement documentation in Content Manager and inspected a sample of Content Manager folders to check restricted access 	<p>Status: Compliant</p> <p>Staff training compliance</p> <p>Inspection of the mandatory training completion records showed that 93% of staff completed the annual Ring-fencing training module.</p> <p>We noted from inquiries that 7% of staff did not complete the training module. Each month, a report identifying the staff that have not completed the training is issued to senior managers to ensure that overdue training is completed. The overall status of training is monitored by a Board committee.</p> <p>Procurement sample outcomes</p> <p>Procurement testing performed noted no exceptions and the following:</p> <ul style="list-style-type: none"> PWC has appropriately included Standard Terms and conditions to contracts subject to ring-fencing guideline. Restricting access of procurement documents within Content Manager appeared to be operating effectively as all user access is managed via approvals. Quality assurance checklist has been completed on the sample of Grade 3 procurements (over \$200,000) tested demonstrating overall procurement compliance.

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>Detective controls:</p> <ul style="list-style-type: none"> Governance Team undertake a process quality assurance checklist for procurement activities over \$200,000 (i.e. grade 3). 		
4.2.1 Physical separation / co-location	Power and Water Corporation has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
4.2.2 Staff sharing	Power and Water Corporation has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
4.2.3 Branding and cross-promotion	Power and Water Corporation has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
4.2.4 Office and staff registers	Power and Water has been provided with a waiver in relation to this obligation on 20 May 2022 (applicable from 20 May 2022 to 30 June 2024). Power and Water has applied to the AER for an extension of the waiver beyond 30 June 2024. For this reason, no further work has been performed by KPMG.		
4.3.1 Protection of ring-fenced information	<p>Power and Water has the following:</p> <p>Preventative controls:</p> <ul style="list-style-type: none"> PWC's AER Ring-fencing website (external facing) PWC's AER Ring-fencing guidelines Fact Sheet (external facing) Mandatory online training on AER Ring-fencing in ELMO system AER Ring-fencing Information Sharing Protocol published on the website 	<ul style="list-style-type: none"> Inspected Power and Water's Ring-fencing website to verify accessibility of Ring-fencing guidelines / protocols Inspected ELMO for Ring-fencing training materials in place, assessed training content related to Ring-fencing guidelines and training completion records across Power and Water for the reporting period Inspected a sample of procurements from 1 January 2023 to 31 December 2023 to check: <ul style="list-style-type: none"> the Conditions of Contract is being used in new procurement contract terms 	<p>Status: Compliant</p> <p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Procurement sample outcomes</p> <p>Refer to procurement sample outcomes listed under clause 4.1 above.</p> <p>RMS Access control sample outcomes</p> <p>From the sample selected and inspected for user access control checking, we did not identify any exceptions.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> Requests for information for related electricity service providers procedure Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER Ring-fencing guidelines Contracts with external service providers that include standard terms and conditions Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information Established process for Data delivery during settlements Metering team responsible for the security of metering data procedure which includes, password protection for interval meters, system for meter reads and secure front end Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy Customer Experience and Operations on boarding process which includes a briefing on Ring-fencing 	<ul style="list-style-type: none"> standard procurement templates were used quality assurance checklists completed Obtained an understanding on access controls which relate to Ring-fencing requirements for the Retail Management System (RMS) and inspected a sample of users from RMS to check restricted access Obtained an understanding and inspected a sample on manual controls over Power and Water Electronic Document Management System (EDMS) which relate to Ring-fencing requirements from the daily movement reports maintained by the Records and Information Management Unit to check restricted access Obtained an understanding over management processes on monthly metering data sent to retailers (i.e., Jacana Energy and Rimfire) via Message Queue (managed by Northern Territory Government) Inspected a sample of the monthly metering data sent to specific retailers (i.e., Jacana Energy and Rimfire) as part of their Ring-fencing protocols Obtained an understanding of a bi-annual review of RMS users with the customer experience team to check that the design of restricted access is working as intended Obtained an understanding over management process for remediation actions undertaken in the event of a breach of customer meter data 	<p>EDMS</p> <p>From the sample selected, user access controls over the EDMS (also known as TRIM) are operating effectively. Our checking indicated cross verification was conducted by the Records and Information Management Unit which includes daily movement reports.</p> <p>No exceptions were noted.</p> <p>Metering control sample outcomes</p> <p>From the sample selected, the review process for MV90 reports which are conducted by the Northern Territory Electricity System and Market Operator ('NTESMO') are operating effectively. No exceptions were noted.</p> <p>Periodic review of ring-fenced procurement population.</p> <p>No exceptions noted</p> <p>Operational Audit program for metering operations.</p> <p>Refer to Recommendation #5 in Appendix B</p> <p>Customer churn review of metering data provided to retailers</p> <p>No exceptions were noted.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>Detective controls:</p> <ul style="list-style-type: none"> Operational Audit program for metering operations Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement report from various systems for cross verification Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail Management System 	<ul style="list-style-type: none"> Inspected a sample of daily movement reports to check restricted access for specific users via the Records and Information Management Unit Inspected the presentation slides as part of the Customer experience “On-Boarding Presentation” to ensure that the information within highlights requirements about Ring-fencing Obtained an understanding over management controls to comprehend password protection requirements within MV90 system that relate to metering Obtained an understanding over user account creation within MV90 system for controls that relate to metering Obtained an understanding over the front-end platform within MV90 system for access controls that relate to metering Inspected the operational audit program undertaken by the metering team for restriction of MV90 access controls that relate to metering Inspected a sample of correspondences for evidence of review by Northern Territory Electricity System and Market Operator (‘NTESMO’) checking the accuracy of metering data sent to retailers. Inspected a sample of NMI Data reports to check for evidence of search for churned customer accounts being addressed prior to data being provided to Retailers via Message Queue. 	

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
4.3.2 Disclosure of information	<p>Power and Water has the following: Preventative controls:</p> <ul style="list-style-type: none"> AER Ring-fencing website (external facing) AER Ring-fencing guidelines Fact Sheet (external facing) Mandatory online training on AER Ring-fencing in ELMO system Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER Ring-fencing guidelines Contracts with external service providers that include standard terms and conditions Access to metering data procedure Third Party Access request for data procedure Delivery of metering data procedure Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information 	<ul style="list-style-type: none"> Inspected Power and Water's Ring-fencing website to check for accessibility of Ring-fencing guidelines / protocols Inspected Power and Water's online training portal (ELMO) for Ring-fencing training materials in place, assessed training content related to Ring-fencing guidelines and training completion records across Power and Water for the reporting period Inspected a sample of procurements from 1 January 2023 to 31 December 2023 to check: <ul style="list-style-type: none"> the Conditions of Contract is being used in new procurement contract terms standard procurement templates were used quality assurance checklists completed Obtained an understanding on access controls which relate to Ring-fencing requirements for RMS and inspected a sample of users from RMS to check restricted access Obtained an understanding on access controls which relate to Ring-fencing requirements from the daily movement reports from Records and Information Management Unit Obtained an understanding on monthly metering data sent to retailers (i.e., Jacana Energy and Rimfire) via Message Queue (managed by the Northern Territory Government') Inspected audit trails to Message Queue reports surrounding management processes to check that monthly metering data are sent to specific 	<p>Status: Compliant</p> <p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Specific Customer Experience "On-Boarding Presentation" is delivered to new staff which highlight clauses / requirements for Ring-fencing.</p> <p>Procurement sample outcomes</p> <p>Refer to procurement sample outcomes listed under clause 4.1 above.</p> <p>RMS Access control sample outcomes</p> <p>Refer to outcome under clause 4.3.1 above.</p> <p>Metering control sample outcomes</p> <p>Refer to outcome under clause 4.3.1 above.</p> <p>Operational Audit program for metering operations.</p> <p>Refer to Recommendation #5 in Appendix B</p> <p>Customer churn control sample outcomes</p> <p>No exceptions were noted.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy ICT System Retail management system with access controls <p>Detective controls:</p> <ul style="list-style-type: none"> Operational Audit program for metering operations Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement report from various systems for cross verification Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail Management System 	<p>retailers (i.e., Jacana Energy and Rimfire) as part of their Ring-fencing protocols</p> <ul style="list-style-type: none"> Obtained an understanding of a bi-annual review of RMS users with the customer experience team to check that the design of restricted access is working as intended Obtained an understanding of remediation actions undertaken in the event of a breach of customer meter data Obtained an understanding of operational audit program for metering operations to understand continuous improvement efforts by Power and Water Inspected a sample of daily movement reports from Records and Information Management Unit to check restricted access Inspected the presentation slides as part of the Customer experience "On-Boarding Presentation" to ensure that the information within highlight particular clauses / requirements of Ring-fencing Obtained an understanding over management access controls to check password protection requirements within MV90 system that relate to metering Obtained an understanding over user account creation within MV90 system for access controls that relate to metering Obtained an understanding over the secure front-end platform within MV90 system for access controls that relate to metering 	

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
		<ul style="list-style-type: none"> Inspected a sample of the monthly operational audit programs undertaken by the metering team for restriction of MV90 access controls that relate to metering Inspected a sample for evidence of review by NTEM SO to check restricted access that relate to metering Inspected a sample of NMI Data reports to check evidence of search for churned customer accounts prior to data being sent to Jacana via Message Queue. 	
4.3.3 Sharing of information	<p>Power and Water has the following:</p> <p>Preventative controls:</p> <ul style="list-style-type: none"> AER Ring-fencing website (external facing) AER Ring-fencing guidelines Fact Sheet (external facing) Mandatory online training on AER Ring-fencing in ELMO system AER Ring-fencing Information Sharing Protocol published on the website AER Ring-fencing Guideline Accounting and Cost Allocation Procedures Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER Ring-fencing guidelines 	<ul style="list-style-type: none"> Inspected Power and Water's Ring-fencing website to check accessibility of Ring-fencing guidelines / protocols Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period Inspected Power and Water's Information Sharing Protocols is accessible on their website Inspected a sample of procurements from 1 January 2023 to 31 December 2023 to check: <ul style="list-style-type: none"> the Conditions of Contract is being used in new procurement contract terms standard procurement templates were used quality assurance checklists completed 	<p>Status: Compliant</p> <p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Specific Customer Experience "On-Boarding Presentation" is delivered to new staff which highlight clauses / requirements for Ring-fencing.</p> <p>Procurement sample outcomes</p> <p>Refer to procurement sample outcomes listed under clause 4.1 above.</p> <p>RMS Access control sample outcomes</p> <p>Refer to outcome under clause 4.3.1 above.</p> <p>Metering control sample outcomes</p> <p>Refer to outcome under clause 4.3.1 above.</p> <p>Operational Audit program for metering operations.</p> <p>Refer to Recommendation #5 in Appendix B</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> Contracts with external service providers that include standard terms and conditions Metering team responsible for the access to metering data procedure, third party access request for data procedure and delivery of metering data procedure Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy ICT System Retail management system with access controls <p>Detective controls:</p> <ul style="list-style-type: none"> Operational Audit program for metering operations Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement report from various systems for cross verification Customer Experience and Operations Billing Specialists responsible for checking information disclosed 	<ul style="list-style-type: none"> Obtained an understanding on access controls which relate to Ring-fencing requirements for RMS and inspected a sample of users from RMS to check restricted access Obtained an understanding on access controls which relate to Ring-fencing requirements from the daily movement reports from Records Management Unit Obtained an understanding on monthly metering data sent to retailers (i.e., Jacana Energy and Rimfire) via Message Queue (managed by Northern Territory Government) Inspected a sample to ascertain that monthly metering data is sent to specific retailers (i.e., Jacana Energy and Rimfire) as part of their Ring-fencing protocols Obtained an understanding of a bi-annual review of RMS users with the customer experience team to check that the design of restricted access is working as intended Obtained an understanding for remediation actions undertaken in the event of a breach of customer meter data Obtained an understanding for operational audit program for metering operations to understand continuous improvement efforts by Power and Water Inspected a sample to check restricted access for specific users via the daily movement reports from the Records and Information Management Unit 	<p>Customer churn control sample outcomes</p> <p>No exceptions were noted.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
		<ul style="list-style-type: none"> Inspected the presentation slides as part of the Customer experience “On-Boarding Presentation” to ensure that the information within highlight particular clauses / requirements of Ring-fencing Obtained an understanding over management controls to comprehend password protection requirements within MV90 system that relate to metering Obtained an understanding over user account creation within MV90 system for access controls that relate to metering Obtained an understanding over the secure front-end platform within MV90 system for access controls that relate to metering Inspected a sample of the monthly operational audit programs undertaken by the metering team for restriction of MV90 access controls that relate to metering Inspected a sample for evidence of review by NTESMO to check restricted access that relate to metering Inspected a sample of NMI Data reports to check evidence of search for churned customer accounts prior to data being sent to Jacana via Message Queue. 	
4.3.4 Information register	Power and Water has the following: Preventative controls: <ul style="list-style-type: none"> AER Ring-fencing website (external facing) 	<ul style="list-style-type: none"> Inspected Power and Water’s Ring-fencing website to check accessibility of Ring-fencing guidelines / protocols 	Status: Non-compliant to the extent that it relates to an agreed modification to achieve the intent of the guideline as agreed with the AER.

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> Mandatory online training on AER Ring-fencing in ELMO system AER Ring-fencing Information Sharing Protocol published on the website 	<ul style="list-style-type: none"> Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period Inspected Power and Water's Information Sharing Protocols is accessible on their website 	<p>Information Sharing register</p> <p>Although Power and Water has an information sharing register on its website, these information requests are not published. This is on-going non-compliance as Power and Water believes that publication of the information requests in accordance with clause 4.3.4 is likely to create confusion particularly given there are no contestable service providers to who the information can be shared on an equitable basis. The AER is informed in this regard.</p>
4.4 Service providers	<p>Power and Water has the following:</p> <p>Preventative controls:</p> <ul style="list-style-type: none"> Standard conditions of contract suite with contract clauses to ensure compliance with AER Ring-fencing guidelines Contracts with external service providers that include standard terms and conditions AER Ring-fencing website (external facing) AER Ring-fencing guidelines Fact Sheet (external facing) Mandatory online training on AER Ring-fencing in ELMO system AER Ring-fencing Explanatory Guide (internal facing) outlines that the assessment of contestable services 	<ul style="list-style-type: none"> Selected a sample of procurements from 1 January 2023 to 31 December 2023 to check: <ul style="list-style-type: none"> the Conditions of Contract is being used in new procurement contract terms standard procurement templates were used quality assurance checklists completed Inspected Power and Water's Ring-fencing website to check accessibility of Ring-fencing guidelines / protocols Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period Inspected Power and Water's Information Sharing Protocols to check that it is accessible on their website 	<p>Status: Compliant</p> <p>Procurement sample outcomes</p> <p>Refer to procurement sample outcomes listed under clause 4.1 above</p> <p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> AER Ring-fencing guidelines Fact Sheet (internal facing) Procurement templates approved by Legal for the use of all procurement activities Enterprise electronic document management system, Content Manager 9, has access restrictions on sensitive records <p>Detective controls:</p> <ul style="list-style-type: none"> Governance Team undertakes a process quality assurance checklist for procurement activities over \$200,000 grade 3). 		
5 Waivers			
5 Waivers	<p>Power and Water has the following:</p> <p>Preventative controls:</p> <ul style="list-style-type: none"> Under the derogations in place for the NT, the waivers have not been actively developed however a waiver register and procedure is in place A Ring-fencing Waiver Register outlines all waivers and is published on the Power and Water's Ring-fencing webpage A Ring-fencing Waiver Register procedure outline the process for maintaining the register 	<ul style="list-style-type: none"> Inspected Power and Water's procedure document to establish and maintain the waiver register and inspected the waiver register Inspected Power and Water's Ring-fencing website to check accessibility of Ring-fencing guidelines / protocols Inspected waiver application and supporting documentation to ensure all relevant information and materials support the application 	<p>Status: Compliant</p> <p>We note that waivers were obtained in 2022 for these Clauses:</p> <ul style="list-style-type: none"> 4.2.4 Office and staff registers on 17 May 2022 with an expiry on 30 June 2024. <p>Refer to Recommendation #6 in Appendix B</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
6 Compliance and Enforcement			
6.1 Maintaining compliance	<p>Power and Water has the following: Preventative controls:</p> <ul style="list-style-type: none"> Compliance Obligation Register that outlines controls including procedures for maintaining compliance with the guideline against each area of responsibility General compliance training for all responsible managers to include AER Ring-Fencing breach definitions in training delivered by Compliance team On boarding process which includes training on Ring-fencing obligations delivered via the ELMO System and completion rates monitored via system reporting AER Ring Fencing Plan for 2023 to 2026, which sets out the strategic approach for managing Power and Water's compliance with the AER Guidelines for the 2023 to 2026 reporting periods. <p>Detective controls:</p> <ul style="list-style-type: none"> Periodic compliance review process of guideline obligations outlined in the compliance obligation management procedure 	<ul style="list-style-type: none"> We have obtained and inspected the obligation register which outlines the controls with the respective risk owners Inspected the list of attendees for the general compliance training and compared to listing of employees to verify that this list comprises of all employees and management Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period Obtained an understanding on the Health Environment Risk Compliance Safety (HERCS) system for monitoring of non-compliance Obtain and inspect the annual compliance reports declared by managers as part of the Ring-fencing compliance obligations by the business unit. This is performed to evidence the compliance attestation process completed for the period ended 30 June 2023 and 31 December 2023. Obtained and inspected AER Ring Fencing Plan for 2023 to 2026, which sets out the strategic approach for managing Power and Water's compliance with the AER Guidelines for the 2023 to 2026 reporting periods. 	<p>Status: Non-compliant but only to extent that Power and Water is not able to comply with clause 4.3.4 and clause 6.2.3 and AER is unable to grant waivers to Power and Water from the obligation to comply with these clauses.</p> <p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>In addition to the mandatory training listed in ELMO we inspected above, Power and Water also delivered general Ring-fencing training in person to its Management group.</p> <p>Periodic compliance attestation process and compliance control effectiveness</p> <p>Through the inspection of the annual compliance reports declared by managers, no exceptions noted.</p> <p>Review of Compliance procedural documents</p> <p>No exceptions noted from review of the Compliance obligations management procedure, code of conduct and maintenance of AER RF Registers procedure.</p> <p>AER Ring-fencing Plan</p> <p>No exceptions noted from review of AER Ring-fencing plan for which sets out the plan for continuous improvement.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> Periodic compliance attestation process of current levels of compliance and control effectiveness outlined in the compliance attestation procedure <p>Corrective controls:</p> <ul style="list-style-type: none"> Non-compliance reporting procedure and system that captures and monitors reported non-compliance, outlines steps for reporting and requirements for investigation and corrective action 		
6.2 Compliance reporting	<p>Power and Water has the following:</p> <p>Preventative controls:</p> <ul style="list-style-type: none"> Compliance reporting template designed to report compliance with the Guideline in line with the compliance reporting best practice manual Compliance Obligation Register that outlines controls, control effectiveness and levels of compliance for each guideline element against each area of responsibility. This register is used to produce reports on levels of compliance and control effectiveness <p>Detective controls:</p> <p>Periodic compliance review process of guideline obligations outlined in the compliance obligation management procedure to determine levels of compliance and control effectiveness for reporting</p>	<ul style="list-style-type: none"> Obtained Power and Water's compliance report to the AER and inspected the report for compliance Inspected the obligation register which outlines the controls with the respective risk owners Inspected the list of attendees for the general compliance training and compared to listing of employees to verify that this list comprises of all employees and management Inspected ELMO for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period Obtained an understanding on the HERCS system for monitoring of non-compliances. Obtained Power and Water's compliance report to the AER and inspected this report to ensure it captures required aspects of clause 6.2.1. 	<p>Status: Compliant</p> <p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Periodic compliance attestation process and compliance control effectiveness</p> <p>Refer to outcome reported under clause 6.1</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>Corrective controls:</p> <ul style="list-style-type: none"> Non-compliance reporting procedure and system that captures and monitors reported non-compliance for the purpose of reporting to management and the AER 	<ul style="list-style-type: none"> Obtained and inspected Power and Water's Compliance Obligation Register which outlines Ring-fencing controls in place with the respective risk owners and levels of compliance and control effectiveness. Performed a walkthrough on Promapp system and the Health Environment Risk Compliance Safety (HERCS) system for monitoring of non-compliances (breaches). Inspected Power and Water's Ring-fencing breach register for all known breaches. Performed a walkthrough on the process to identify the nature of transactions between PWC and its RESPS. 	
6.2.3 Regulated stand-alone power system reporting requirements	<p>Power and Water Corporation was provided with a letter of no action in relation to this obligation on 30 May 2022.</p> <p>Preventative controls:</p> <ul style="list-style-type: none"> Proactive engagement with the AER around change in obligations Letter of no action from AER 	<ul style="list-style-type: none"> Inspected the correspondence for letter of no action from the AER Performed inquiries with the Senior Regulation Analyst and Risk and Compliance Principal to understand decision by AER to issue the no action letter. 	<p>Status: Non-compliant but Power and Water have received a 'no action' letter from AER</p> <p>Power and Water applied for a waiver for Clause 6.2.3 on November 2021. A response was provided by AER on 30 May 2022 indicating that a waiver was not granted but no compliance action will be taken against Power and Water. This may change in the future if AER re-visits its decision if re-assessments are performed in the future.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
6.4 Complaints and investigations	<p>Power and Water has the following Corrective controls:</p> <ul style="list-style-type: none"> Regulation, Economics and Pricing engage regularly with the AER and are responsible for responding to a complaint or concern the AER raises about compliance with this Guideline The non-compliance reporting procedure is applied in situations where the complaint or concern results in a breach. 	<ul style="list-style-type: none"> Inspected the obligation register which outlines the controls with the respective risk owners. Inspected the list of attendees for the general compliance training to verify that this list comprises of all employees and management. Inspected Power and Water's online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period. Performed a walkthrough on Promapp system and the Health Environment Risk Compliance Safety (HERCS) system for monitoring of non-compliances. Inspected the annual compliance reports declared by managers as part of the Ring-fencing compliance obligations by the business unit. This is performed to validate the compliance attestation process. 	<p>Status: Compliant</p> <p>No complaints were noted from the procedures performed.</p>

Appendix B – Summary of performance improvement observations

In this section, we present additional details on performance improvement observations in relation to Power and Water's compliance activities for the regulatory period 1 January 2023 to 31 December 2023 (RY2023). This information has been provided at the request of the AER.

In addition, we have also included the status for the prior period (RY2022) performance improvement observations.

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our opinion or conclusion reported in the Independent Reasonable Assurance Report.

No	RY2022 Recommendation	RY2023 Status and Management Responses
1	<p>Periodic compliance attestation process</p> <p>The current attestation process is completed annually every 30 June to align with Power and Water's financial year end. Version 3 of the Ring-fencing Guideline changes the reporting period to a calendar year, therefore we recommend for management to complete an additional compliance attestation process in December to align with the Ring-fencing regulatory year.</p>	<p>Power and Water undertook attestations for the period ended 30 June 2023 and 31 December 2023 (which was concluded in March 2024).</p> <p>Status: Closed</p> <p>Management response Power and Water have implemented a periodic attestation to be completed at least twice a year in-line with the regulatory and financial reporting period.</p> <p>Accountable owner [REDACTED] – Deputy Chief Executive</p>
2	<p>Management plan in relation to Ring-fencing</p> <p>We acknowledge Management's efforts to date in implementing controls relating to Ring-fencing and embedding these controls in the annual attestation process.</p> <p>While there has been progress with implementing Ring-fencing controls, further maturity is required within the business to uplift Ring-fencing compliance.</p> <p>We recommend implementing a management plan to further identify and implement Ring-fencing controls which will promote and support the training provided to staff.</p>	<p>Status: Closed</p> <p>Management response The Compliance Team developed an AER Ring Fencing Plan for 2023 to 2026, which sets out the strategic approach for managing Power and Water's compliance with the AER Guidelines for the 2023 to 2026 reporting periods.</p> <p>The goals for 2023 – 2026 are:</p>

No	RY2022 Recommendation	RY2023 Status and Management Responses
		<ul style="list-style-type: none"> - Resolution of outstanding actions from 2nd and 3rd annual AER Ring Fencing Compliance Reports; - Zero reported breaches by increasing the visibility of AER Ring Fencing Obligations and to continue providing targeted educational and awareness training programs within the organisation; - Introducing a dedicated email channel for employees to raise issues, concerns or questions regarding Ring-Fencing; - Issuing “alerts” to employees following a breach, including (to the extent possible) the cause, actions taken and lessons learnt; and - Distributing a monthly “educational update” to employees on any Ring Fencing, including new developments. - Simplify the format of Power and Water’s annual compliance report to the AER on Ring-Fencing. <p>These goals are designed to supplement and support Power and Water’s current processes and systems for compliance management with its Ring-Fencing obligations.</p> <p>For that reason, Power and Water current activities with respect to managing compliance with its obligations under AER Guidelines are expected to continue during the 2023 to 2026 reporting periods.</p> <p>Accountable owner</p> <p>██████████ – Deputy Chief Executive</p>
3	<p>Compliance Procedural Documents reviews are not timely</p> <p>We observed that there were three compliance procedural documents for Power and Water’s ring-fencing processes were not reviewed timely. These three procedural documents are:</p> <p>[1] Compliance obligations management procedure, next review date 21 June 2022</p> <p>[2] Code of conduct, next review date 1 February 2019</p> <p>[3] Maintenance of AER RF Registers procedure, next review date 27 June 2022</p> <p>We recommend that Power and Water conduct timely reviews to ensure that these</p>	<p>Status: Closed</p> <p>Management response</p> <p>Power and Water have reviewed the three compliance procedural documents listed below:</p> <ul style="list-style-type: none"> - Compliance Obligations Management procedure - Code of conduct – A full review of the code of conduct has occurred.

No	RY2022 Recommendation	RY2023 Status and Management Responses
	documents are updated as there is reliance by employees throughout the organisation to educate themselves on ring-fencing purposes.	- Maintenance of AER RF Registers procedure – document reviewed with no need for updates. Status: Closed. Accountable owner [REDACTED] – Deputy Chief Executive
4	<p>Periodic review of ring-fenced procurement population</p> <p>We observed that the procurement population was subject to multiple revisions based on the review by multiple business segments and risk owners.</p> <p>Periodic internal reviews for the completeness of the procurement population relating to ring fencing is recommended to strengthen procedural compliance in relation to restricted procurement access controls.</p>	<p>Management response</p> <p>Power and Water have implemented the extra field in the data set.</p> <p>Status: Closed</p>

Recommendations identified in the 2023 Reporting Period:

No	RY2023 Recommendation	Management's responses
5	<p>Operational audit program for metering operations</p> <p>Out of the twelve planned operational audits by the Metering department within Power and Water six were completed due to employee availability. All six internal audits were performed by the same employee.</p> <p>We recommend the following: [1] Power and Water puts in place measures to ensure stricter [REDACTED] tion of auditors instead of based on staff availability. [2] Internal audit program be enhanced to include field reviews as currently all the internal audits are desktop reviews. [3] Training be provided to additional operational team members so they can also conduct the audits.</p>	<p>Management response</p> <p>Power and Water acknowledge the findings and has a plan in place to uplift the operational audit program. This includes finalising the procedure supporting the program in 2024. In response to recommendations, by 30 June 2024 Power and Water will:</p> <ol style="list-style-type: none"> Update the audit calendar for FY25 to <ol style="list-style-type: none"> reflect increased requirements on the selection of auditors; and specify the number of field audits each year (i.e. 10 field audits). Train an additional 2 quality auditors.

No	RY2023 Recommendation	Management's responses
		Accountable owner <div data-bbox="1355 320 1480 352" style="background-color: black; width: 56px; height: 20px; display: inline-block;"></div> – Meter Operations Manager
6	Updating of the waiver register The waiver register was due for review on 31 December 2022, but has not yet been reviewed. We recommend that Power and Water review and update the waiver register on a timely basis in line with planned review timelines.	Management response Power and Water agree with the finding and intent to implement a review of the Waiver Register during 2024. Actions will be raised against the relevant obligation to remind the control owner to complete the review. Accountable owner <div data-bbox="1355 699 1480 730" style="background-color: black; width: 56px; height: 20px; display: inline-block;"></div> – Compliance and Quality Principal