

AER Ring-fencing Guideline Electricity Transmission Compliance Report

AusNet Transmission Group
Pty Ltd

April 2025



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1. Executive summary

1.1 Introduction

AusNet Transmission Group Pty Ltd (“ATG” or “TNSP”) is a subsidiary of Ausnet Services (Transmission) Pty Ltd. ATG owns and operates the Victorian electricity transmission network.

The Australian Energy Regulator (“AER”) published the Ring-fencing Guideline Electricity Transmission Version 4 (“the Guideline”) for Electricity Transmission on 15 August 2002 (subsequently revised in August 2005, July 2022 and March 2023) under the National Electricity Rules, to provide for functional separation of regulated and competitive business activities to promote competition in the provision of electricity transmission 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 ATG’s compliance with the following clauses of the Guideline for the period 1 January 2024 to 31 December 2024.

1.3 Scope

The AER’s Annual compliance reporting and independent assessment requirements under the Guideline require the following:

- ▶ An attestation from the TNSP signed by the officer (as defined in clause 1.4 of the Guideline) that the information provided by the TNSP to the assessor was complete and correct.
- ▶ A statement from the assessor detailing the 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 TNSP.

1.4 Methodology

ATG has prepared an annual compliance report under the Guideline for the period from 1 January 2024 to 31 December 2024.

We obtained an understanding of the Ring-fencing Guideline and other engagement circumstances specific to ATG, 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 2024 to 31 December 2024.

We tested the obligation clauses as per the Guideline and conducted interviews with key stakeholders to understand how ATG 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 ATG complied, in all material respects, with the Guideline for the transitional period from 1 January 2024 to 31 December 2024.

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 ATG on a monopoly basis and contestable energy services provided by ATG 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.
- ▶ Inappropriate access of confidential electricity information
This risk can arise through inappropriate system access by staff, or inappropriate staff sharing arrangements. Employees in the affiliate providing contestable electricity services may benefit from inappropriate use of confidential ring fencing information both in transactions with ATG and business development with external customers.
- ▶ Inappropriate promotion of affiliates providing contestable electricity services
This risk can arise through ATG using its position as a regulated transmission services provider to inappropriately promote contestable electricity services provided by its affiliates.

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

1.6 Overall observations

AER focus

As part of our planning procedures for our audit we have also considered various materials published by the AER with relevance to TNSPs for the 2024 compliance regime, namely the *Annual Compliance and Enforcement Report 2023-24*. We noted from this documentation that the AER places specific focus on the following compliance areas relevant to TNSPs such as ATG:

- ▶ Breaches related to the failure to protection of ring fence information.
- ▶ Breaches related to branding and cross promotion.
- ▶ Instances of repeated non-compliance.
- ▶ Breaches related to conduct of service providers.

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

Changes to the TNSP and Its Environment

In 2024, ATGATG underwent an organizational restructure, transitioning from a functional operating model to a line of business (LoB) model. This change resulted in several business units altering their reporting lines and responsibilities. The four established LoBs are Electricity Distribution, Electricity Transmission, Gas and Metering, and Development and Future Networks (DF&N). The four LoBs are supported by five enabling functions that are People and Safety, Group operations, Digital and Technology, Finance, Strategy and Legal, and Compliance, Risk and Corporate Affairs.

We have continued to observe that historical arrangements between ATG 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 ATG and other businesses in the AusNet Services Limited Group such as Mondo Power Pty Ltd (Mondo) for the year ended 31 December 2024 was [REDACTED] whilst the overall value of transactions with Geomatic ai Pty Ltd (trading as Altavec) was [REDACTED]

As part of our procedures, we made enquiries with key operational personnel involved with these projects as well as those in the ATG 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 three new recommendations for ATG's continuous improvement in relation to the periodic review of controls, which were partially implemented during the period under audit. These observations and recommendations, together with management's responses, are summarised in section 2.1 and section 3 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 4 of this report for the full Audit Opinion.

2. Summary of audit findings

2.1 Summary of audit findings in 2024

Clause	Compliance Obligation	Observations and Findings in 2024	Recommendation in 2024	Management response
4.1	A TNSP 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 prescribed transmission services or negotiated transmission services by the TNSP (whether to itself or to any other legal entity).	We noted that the specific DF&N teams has been provided with ring-fencing training in 2023 and are aware of the requirements for the ring-fencing clauses, however, the Ring-Fencing Transmission policy training module was not rolled off for all employees until April 2025.	We recommended that management consider reviewing the training rollout process to ensure that all teams receive timely and consistent training. This could enhance compliance and ensure that all employees are adequately prepared to meet the ring-fencing requirements.	<p>In late 2024 and early 2025, ATG implemented an initiative to identify 'high risk' employees in relation to ring-fencing and implemented refresher training and protocols for information access and sharing. This included establishing access to ongoing support and guidance on ring-fencing matters.</p> <p>During 2025 ATG also plans to expand training materials to all staff, including:</p> <ul style="list-style-type: none"> Online training on Transmission ring-fencing to all new employees from 1 April 2025, with regular training refresher requirements. Update targeted training materials for key personnel and ATG-wide training materials to reflect version 5 of the Guideline (from August 2025) and confirm both sets of materials are fit for purpose.
4.1(c)	Without limiting its scope, clause 4.1(b) requires a TNSP to: <ol style="list-style-type: none"> 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 TNSP). 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. in like circumstances, provide substantially the same quality, reliability and timeliness of service to a related 	We observed in 2024 that there are several historical SOWs relating to calibration and testing that remained in place between Mondo and ATG and 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 ATG 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 recommend that ATG reviews these expiring SOWs and put these services through formal procurement processes (ie market testing or benchmarking) before granting any further extensions to these SOWs. We recommend management perform a price/value assessment to show non-discrimination and no subsidisation. 	<p>AusNet has a robust procurement process where all services valued over [REDACTED] need to go through a strategic market engagement. This could be via a formal tender, a negotiation or other methods. The Procurement team also consider the number of providers of the services and whether a formal market testing process will deliver value to consumers.</p> <p>The services in question are highly specialised, in a small market with a limited number of service providers. As such, market testing each time the contract is up for renewal is impractical and unfeasible. AusNet undertakes other methods to value the efficiency of the cost of these services, including comparing the cost of these services to regulated allowances</p>

Clause	Compliance Obligation	Observations and Findings in 2024	Recommendation in 2024	Management response
	<p>electricity service provider and a competitor (or potential competitor) of the related electricity service provider;</p> <p>iv. subject to clause 4.2.2(b), not disclose to a related electricity service provider information the TNSP 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>and by understanding the build-up of the service charges.</p> <p>In addition, AusNet will be reviewing the basis on which each service in question is provided, as some or all of these services may be self-provided by ATG (whether or not through the use of shared staff or resources). If this review determines that some or all of these services in question are self-provided by ATG, such services will not be affiliated transactions and the question of market testing/ benchmarking would not be relevant (but in this case AusNet will review the application of cost allocation methodology and staff sharing requirements).</p>
4.2.1	<p>Subject to this clause 4.2, a TNSP 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>We note that ATG has a decision tree in place as a broader Ring-Fencing policy during the period where staff are required to protect, and only disclose, Ring-Fenced Information in accordance with this Policy and the Guideline. We obtained documentation of the project scope and purpose.</p> <p>However, through discussions with management, noted that this Ring-Fencing review did not involve a review of IT access for the relevant systems which holds the ring-fencing information.</p>	<p>We recommend management put in place additional ring-fencing monitoring measures (eg monitoring of frequency of the employee accessing ring-fencing information). Some suggestions as follows:</p> <ul style="list-style-type: none"> • We recommend identifying the systems that hold the ring-fenced information relevant for transmission ring-fencing other than SAP. • We recommend management identify a list of high-risk employees who have relevant access to ring-fencing information, decision making authority and financial incentives linked to both ATG and Mondo performances. • We recommend management perform periodic SAP access reviews on CES users and other systems identified, to detect and prevent any unauthorised access to ring-fencing information. 	<p>In late 2024 and early 2025, ATG implemented a targeted initiative to identify 'high risk' employees in relation to ring-fenced information and implement protocols for information access and sharing.</p> <p>During 2025, ATG also plans to:</p> <ul style="list-style-type: none"> • Conduct a holistic review of digital systems to identify systems (other than SAP) that may hold ring-fenced information related to transmission and implement restrictions to system access accordingly. • Implement changes and/or restrictions to digital system use and information access as a result of version 5 of the Guideline (where obligations extend to negotiated transmission services). • Set up periodic system access reviews to detect and restrict any access inconsistent with the Guideline.

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 3.1 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. 2023 Auditor Recommendation

The following table outlines ATG's responses and actions taken against our recommendations in response to our 2023 findings as well as our relevant observations and findings in the current year.

Clause	Obligations	Recommendations in 2023	Observations and findings in 2024	Management Response
4.4.1 (a)	A TNSP must ensure that any new or varied agreement between the TNSP and service provider for the provision of services of the TNSP that enables or assist the TNSP to provide prescribed transmission service, requires the service provider to comply, in providing those services, with clauses 4.1, 4.2.1 and 4.3 of the Guidelines as if the service provider was the TNSP.	<p>We sampled a selection of contracts and contract variations entered from 1 March 2023 to 31 December 2023 to assess whether the relevant ring-fencing clauses have been included within service provider contracts for the provision of services of ATG to provide prescribed transmission services.</p> <p>We noted an instance from our sample whereby the ringfencing provisions were not explicitly included within the contract.</p> <p>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.</p>	<ul style="list-style-type: none"> • In 2024, we noted no exception on the sample of contracts and contract variations from 1 January 2024 to 31 December 2024, however, through discussions with management, it was established that a review of contracts was performed in January 2025 focusing on identifying potential non-inclusion of the ring-fencing clause. We inspected the materials summarising the scope and results of this assessment and noted two instances whereby the ring-fencing provisions were not explicitly included within the contract. However, the original contracts (as extended and varied) did require the supplier to comply with 'legislative requirements.' Therefore, the Distribution contract identified in the Review did not breach the Guideline as 'legislative requirements' captures the supplier's obligations under the Guideline. • We note that an improvement was made in this area and management has refined the process by implementing further controls for identifying and assessing contract or variations to contracts for inclusion of the ring-fencing provisions. 	Management confirms that the process and controls have been refined. The procurement team has introduced a control to ensure where agreements are executed and extended (or varied) ATG's template ring-fencing clause is included (or confirmed as included in the original contract).

4. Detailed audit findings

4.1 Detailed audit findings

Instrument Clause Event: Ring-fencing Guideline Electricity Transmission Version 4

Obligation: Legal separation – Section 3

Guidance Assessment Criteria and Assessment Controls

Ref	Compliance Obligation	Process Description	Testing	Grading
3.1(a)	A TNSP must be a legal entity.	ATG's 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 Transmission Group Pty Ltd is a legal entity.	<p>Procedures performed:</p> <p>We performed an ASIC search on ATG to ensure that it is a separate legal entity. To undertake the search, we used ATG's ABN number as noted on the transmission licence approved by AER.</p> <p>Observation:</p> <p>Based upon the evidence obtained above, no exceptions were noted as to ATG's compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none">• ATG is a legal entity. <p>Recommendations:</p> <p>None noted.</p>	Effective
3.1(b)	Subject to clauses 3.1(c), (d) and (e), a TNSP may provide transmission services, but must not provide other services.	All arrangements entered by ATG are assessed by the ATG Procurement team and Legal team to ensure compliance with the Guideline. Any contract (whether it be a new contract or a variation to an existing contract), requires legal review and approval. On that basis, the AusNet legal team monitors contractual activity to ensure that no such contracts/variations are entered into without an AER waiver.	<p>Discussion held with:</p> <p>Compliance Manager Legal Counsel Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We obtained the Electricity Transmission License to ensure that ATG can provide transmission services.</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 ATG'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>We made enquiries regarding permissibility of the following projects under the guideline which had been identified in current year</p> <ul style="list-style-type: none"> Wind Farms projects - Negotiated transmission connection projects performed by ATG under which third party customer pays for services themselves via a Use of System Agreement with AEMO. There is no involvement of Mondo. Western Renewable Link – ATG has contracted with AEMO to deliver the Western Renewables Link, a 190km long high-voltage electricity transmission line. The proposed route will run from Bulgana Terminal Station to Sydenham Terminal Station. There is no involvement of Mondo. <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted with ATG' compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> ATG solely provides transmission services, and waivers were not required. 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 	
3.1(c)	<p>A TNSP must not;</p> <ol style="list-style-type: none"> Enter into any new agreement Agree to a material variation to an existing agreement <p>Where such new or varied agreement grants another legal entity the right to use any energy storage device which is owned, operated or controlled by the TNSP, unless it is for the dual purpose of providing that TNSP with network support service.</p>	<p>Any contract (whether it be a new contract or a variation to an existing contract), requires legal review and approval. On that basis, the AusNet legal team monitors contractual activity to ensure that no such contracts/variations are entered into without an AER waiver.</p> <p>During CY24, ATG did not enter into any new agreement, or material variation to existing agreement, to grant a third party the right to use an energy storage unit owned, operated or controlled by ATG (as TNSP).</p> <p>Prior to CY23, ATG had a proposal to enter into an arrangement with Mondo Power Pty Ltd under which Mondo would be entitled to use a battery system owned by ATG at ATG's Rowville terminal station for the dual purpose of providing ATG (as TNSP) with network support services and trading</p>	<p>Discussion held with:</p> <p>Compliance Manager</p> <p>Legal Counsel</p> <p>Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We obtained and inspected the Ring-fencing Policy which demonstrates that it complies with AER's requirement on legal separation.</p> <p>We inspected the process undertaken by management to ensure all arrangements were correctly identified and in compliance with the Guidelines by performing the procedures outlined below:</p> <ul style="list-style-type: none"> We confirmed if there were any new projects or variation of existing projects that had taken place during the transitional period. 	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
		<p>the battery's energy in the market. This arrangement was not formalised prior to the introduction of the Guideline on 1 March 2023. No contract has been entered into for this proposal and ATG is seeking a waiver from the AER in relation to this arrangement prior to entering into a contract.</p>	<p>Testing</p> <ul style="list-style-type: none"> We obtained the existing Master Procurement Agreement (MPA) and Statements of Work (SOW) that exist between ATG and Mondo and confirmed no provision for right of use of any energy storage device which is owned, operated and controlled by ATG. <p>Observations: Based upon the procedures performed, no exceptions were noted on ATG's compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> There were no new agreements or material variation to existing agreements to grant the right to use any energy storage unit which is owned, operated or controlled by ATG. As per the existing signed SOW, Mondo does not have the right to use any energy storage device which is owned or controlled by ATG. ATG has preventive controls to ensure procurement arrangements entered are managed in accordance with the Guideline, including mandatory consultation with the legal team as demonstrated with the Rowville terminal agreement. <p>Recommendations: None noted.</p>	
3.2.1(a)	(a) A TNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the TNSP and its affiliated entities.	<p>ATG 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>ATG 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</p>	<p>Discussion held with: Compliance Manager Legal Counsel Regulatory Accounting Manager Regulatory Compliance Officer Procedures performed: We obtained and inspected the ATG internal accounting procedure manual - "Transactions with affiliated entities" and noted that it addressed transactions between ATG and its affiliated entities. We obtained and inspected the transaction report between ATG and affiliated entities in which the accounting treatment was noted to be consistent with the internal accounting manual. As at the date of this</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
		<p>and payables that are recorded in the financial statements.</p> <p>ATG 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>report, ATG is generating the transaction listing between ATG 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 ATG' compliance against the obligation. With the key points noted below:</p> <ul style="list-style-type: none"> ATG 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 ATG and its affiliated entities. 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:</p> <ul style="list-style-type: none"> None noted. 	
3.2.2	<p>(a) A TNSP must allocate or attribute costs (including costs allocated or attributed to the TNSP 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 transmission services and other services</p> <p>(b) A TNSP must only allocate or attribute costs to transmission services in accordance with clause 3.2.2(a) and must not allocate or attribute other costs to the transmission services it provides.</p> <p>(c) A TNSP 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>ATG has in place a Transmission 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.</p> <p>Specifically, ATG 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 ATG services:</p> <ol style="list-style-type: none"> 1. Labour costs – Are generated through the payroll system and are either directly 	<p>Discussion held with:</p> <p>Compliance Manager</p> <p>Legal Counsel</p> <p>Regulatory Accounting Manager</p> <p>Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>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 ATG' 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>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
		<p>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</p> <p>2. Material costs and invoiced contract and service costs - through direct costing/attribution to asset related work codes and cost driver approach.</p> <p>3. Directly costed items - through system based, general ledger attribution due to the nature of the cost, eg property taxes, license fees, network charges.</p> <p>ATG use of company code, cost centre, account and project number in SAP to allow accurate allocations of Direct cost and indirect cost.</p> <p><i>Cost Allocation Process - Direct costs</i></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><i>Cost Allocation Process - Overheads/ indirect costs</i></p> <p>ATG 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> <p>1. Time sheeting: for cost centres that complete timesheets and where those timesheets cover the majority of the cost centre available time.</p> <p>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> <p>3. 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</p>	<p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted as to ATG' compliance against the obligation with key points below:</p> <ul style="list-style-type: none"> ATG has a process in place to allocate costs to distribution services and is consistent with the Cost Allocation Principles and AER approved CAM. ATG 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. ATG maintains records in relation to costs allocation. We obtained and inspected the December 2024 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:</p> <ul style="list-style-type: none"> None noted. 	

Ref	Compliance Obligation	Process Description	Testing	Grading
		<p>regulated network, as well as the unregulated business of ATG.</p> <p>Costs such as finance costs, corporate tax and other costs below the EBIT line are considered at corporate level.</p>		

Obligation: Functional Separation – Section 4

Guidance Assessment Criteria and Assessment Controls

Ref	Compliance Obligation	Process Description	Testing	Grading
4.1(b)	<p>A TNSP 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 prescribed transmission services by the TNSP (whether to itself or to any other legal entity).</p>	<p>In order to achieve compliance with the “non-discrimination” requirements in the Ring-Fencing Guideline, ATG has sought to educate relevant employees about the Ring-fencing requirements.</p> <p>ATG’s online training program on the topic of Ring-fencing for electricity transmission policy includes a do’s and don’ts when dealing with affiliated entities.</p> <p>Below are the approaches:</p> <ul style="list-style-type: none"> • A ring-fencing page on the AusNet intranet, The Loop, which contains resources relating to key ringfencing educational information. • Online training module for employees accessed via SuccessFactors. • All ATG 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>Together with the legal team, ATG 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. Master Procurement Agreement (MPA) are also in place to formalise existing and future arrangements for contestable electricity services provided by affiliated entities to ATG. The MPA was developed based on a</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 Online training module for employees and inspected the content has been updated to the latest Guideline.</p> <p>We obtained and inspected all relevant SoWs, contracts and the MPA entered between ATG, Mondo under Development and Future Networks.</p> <p>We have also made specific enquiries about projects such as: Wind Farms and Western Renewable Link, 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 ATG’s 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 ATG ring fencing briefing materials we noted that a specific emphasis was placed on the completion of training by relevant personnel at TNSPs. • ATG has processes and controls in place to ensure that there is no discrimination between a 	Partially Effective

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		<p>third-party contract format, to ensure the terms and conditions set out are not discriminating against an external party.</p> <p>Any prescribed transmission 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>related electricity service provider and an external TNSP.</p> <ul style="list-style-type: none"> We noted that the specific DF&N teams has been provided with ring-fencing training in 2023 and are aware of the requirements for the ring-fencing clauses, however, the Ring-Fencing Transmission policy training module was not rolled off for all employees until April 2025. <p>Recommendations: [Partially Effective] We recommended that management consider reviewing the training rollout process to ensure that all teams receive timely and consistent training. This could enhance compliance and ensure that all employees are adequately prepared to meet the ring-fencing requirements.</p>	
4.1(c)	<p>Without limiting its scope, clause 4.1(b) requires a TNSP to:</p> <ol style="list-style-type: none"> 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 TNSP); 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; 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; subject to clause 4.2.2(b), not disclose to a related electricity service provider information the TNSP 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, 	<p>ATG 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. ATG has implemented Master Service Agreements (MSA) where ring-fencing clauses are included with related electricity service provider.</p> <p>Management represented that services provided to the TNSP 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 ATG 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 	<p>Discussion held with:</p> <p>Members of the Procurement Team</p> <p>Compliance Manager</p> <p>Legal Counsel</p> <p>Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We obtained and perused the Statement of Works (SOW) and Master Procurement Agreement (MPA) entered between ATG 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 ATG and Mondo.</p> <p>We assessed the procurement and tender process undertaken by ATG.</p> <p>We obtained and inspected the decision-making framework ATG adheres to demonstrate its compliance against this obligation.</p> <p>Observation: Based upon the discussions held and procedures performed, we noted:</p> <ul style="list-style-type: none"> ATG has control process in place to ensure that there is no discrimination between a related electricity service provider and an external party. 	Partially Effective

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	provide an advantage to the related electricity service provider.	<p>trends and cost saving or efficiency opportunities.</p> <ul style="list-style-type: none"> 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 ATG is only allowable on cost basis with no margin added <p>ATG 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 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 AUD [REDACTED].</p>	<ul style="list-style-type: none"> ATG 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 ATG continues to engage Mondo on three SOWs relating to HV Asset Testing, Chemical Testing Services (Oil/Gas), and Calibration and Protection Testing and Metering Installations. The costs associated with these SOWs totalled [REDACTED] of direct project Capex/Opex transactions. We noted that there were other transactions between Mondo to ATG, which are summarised in the table below: <table border="1"> <thead> <tr> <th>Nature of Transaction</th> <th>Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>HV Asset Testing (i)</td> <td>[REDACTED]</td> </tr> <tr> <td>Energy Metering (i)</td> <td>[REDACTED]</td> </tr> <tr> <td>Chemical Testing External (i)</td> <td>[REDACTED]</td> </tr> <tr> <td>Calibration and Tests External (i)</td> <td>[REDACTED]</td> </tr> <tr> <td>DFN Asset Management Improvement Program (i)</td> <td>[REDACTED]</td> </tr> <tr> <td>Condition Monitoring (i)</td> <td>[REDACTED]</td> </tr> <tr> <td>Data related support services (ii)</td> <td>[REDACTED]</td> </tr> <tr> <td>Total</td> <td>[REDACTED]</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Management has advised these costs are not required to be reported as they are shared services costs for bundled services which are not charged directly from Mondo to ATG. Management has advised that these costs are for provision of data related services directly 	Nature of Transaction	Amount (\$)	HV Asset Testing (i)	[REDACTED]	Energy Metering (i)	[REDACTED]	Chemical Testing External (i)	[REDACTED]	Calibration and Tests External (i)	[REDACTED]	DFN Asset Management Improvement Program (i)	[REDACTED]	Condition Monitoring (i)	[REDACTED]	Data related support services (ii)	[REDACTED]	Total	[REDACTED]	
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		<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] 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 2024, transactions between ATG and affiliates total approximately [REDACTED]. These transactions include:</p> <p><i>Transactions with Mondo</i></p> <ul style="list-style-type: none"> • HV Asset Testing [REDACTED] - SOW #1 • Chemical Testing Services (Oil/Gas): [REDACTED] -SOW # 3 • Calibration and Protection Testing and Metering Installations: [REDACTED]-SOW #3 <p><i>Transactions with Geomatic ai Pty Ltd (trading as Altavec)</i></p> <p>Engineering services: [REDACTED]</p>	<p>from Mondo to ATG in support of TUoS, NGER and TLL reporting and charges a monthly fee. These are shared function and therefore not required to be reported under ring-fencing.</p> <ul style="list-style-type: none"> • We also noted during the period that ATG incurred [REDACTED] in transactions with a Geo-Spatial engineering provider Geomatic ai Pty Ltd. This business was formerly controlled by ATG but was predominantly divested in February 2022 leaving ATG with 20%. The entity is an affiliate for ring fencing purposes under the guidelines. • 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] We recommendation that ATG reviews these expiring SoWs and put these services through formal procurement processes (ie market testing or benchmarking) before granting any further extensions to these SoWs.</p>	
4.2.1	<p>Subject to this clause 4.2, a TNSP must:</p> <ol style="list-style-type: none"> keep ring-fenced information confidential; and only use ring-fenced information for the purpose for which it was acquired or generated. 	<p>ATG 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 TNSP systems which may contain transmission 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 Contestable Energy service (CES) Roles users in SAP. There are proper procedures and risk mitigation process in placed:</p> <ol style="list-style-type: none"> 1. CES Roles are clearly labelled in the system with a Suffix of “_CES” in SAP. 2. CES Roles restrict users to perform functions within their Development & Future Network organisational areas. 	<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 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>	Partially Effective

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		<p>3. 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> <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>We assessed the process undertaken by management to reorganise user system access to SAP CES access systems.</p> <p>Observation: Based upon the discussions held and procedures performed, we noted:</p> <ul style="list-style-type: none"> • We isolated a population of 196 employees under contestable services teams from the HR Master file of ATG. We then performed a cross check on a sample basis to the system access logs to see if these employees had access to the SAP system. We noted from our testing that the access held by the employees was appropriate from a Ring-fencing perspective. • We noted that compliance team has not undertaken a review of system access during a year as part of their broader transmission ring-fencing policy compliance. <p>Recommendations: [Partially effective]</p> <p>We recommend management to put in place additional ring-fencing monitoring measures (eg monitoring of frequency of the employee accessing ring-fencing information). Some suggestions as follows:</p> <ul style="list-style-type: none"> • We recommend identifying the systems that hold the ring-fenced information relevant for transmission ring-fencing other than SAP. • We recommend management identify a list of high-risk employees who have relevant access to ring-fencing information, decision making authority and financial incentives linked to both ATG and Mondo performances. • We recommend management perform periodic SAP access reviews on CES users and other systems identified, to detect and prevent any unauthorised access to ring-fencing information. 	
4.2.2	A TNSP must not disclose ring-fenced information to any person, including a related electricity service provider, unless:	The exemptions listed by AER in the Guideline are <ul style="list-style-type: none"> • the TNSP has first obtained the explicit informed consent of the relevant customer, or prospective 	Discussion held with: Compliance Manager Legal Counsel Regulatory Compliance Officer	Effective

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	<ul style="list-style-type: none"> (a) the TNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the ring-fenced information relates; (b) the disclosure is required by, or for the purpose of complying with, any law; (c) the disclosure is necessary to enable the TNSP to provide transmission services or (if authorised in accordance with the waiver process set out in clause 5 of this Guideline) other services (including by acquiring services from other legal entities); (d) 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 non-regulated transmission services or other services to the customer or potential customer; (e) 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; (f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the TNSP; (g) a related electricity service provider of the TNSP has requested the disclosure and the TNSP complies with clause 4.2.3 in relation to that ring-fenced information; or (h) another legal entity, other than a related electricity service provider 	<p>customer, to whom the ring-fenced information relates;</p> <ul style="list-style-type: none"> • the disclosure is required by, or for the purpose of complying with any law; • the disclosure is necessary to enable the TNSP to provide its transmission 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 TNSP; where another TNSP is an affiliated entity of the TNSP, • the disclosure is to the part of that other TNSP that provides that other TNSP's direct control services; • a related electricity service provider of the TNSP has requested the disclosure and the TNSP complies with clause 4.2.3 in relation to that ring-fenced information; or <p>or another legal entity, other than a related electricity service provider of the TNSP, has requested the disclosure.</p>	<p>Procedures performed:</p> <p>We have discussed with management ATG consideration of the exemptions per the Guideline.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted on ATG's compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> • ATG has in place a process to maintain and keep an information register. • ATG has in place a process to govern information sharing with an affiliated entity. <p>ATG has in place a process to protect ring fencing information.</p> <p>Recommendations:</p> <p>None noted.</p>	

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	of the TNSP, has requested the disclosure.			
4.2.3	<p>(a) Subject to clause 4.1(c)(iv), and to this clause 4.2.3, where a TNSP shares ring-fenced information with a related electricity service provider, or where ring-fenced information that a TNSP has disclosed under clause 4.2.2(f) or (h) is then disclosed by any person to a related electricity service provider of the TNSP, the TNSP must provide access to that ring-fenced information (including the derived information) to other legal entities on an equal basis.</p> <p>(b) A TNSP is only required by clause 4.2.3(a) to provide information to a legal entity where:</p> <ol style="list-style-type: none"> the legal entity has requested that it be included on the information register in respect of information of that kind; and the legal entity is competing, or is seeking to compete, with a related electricity service provider, in relation to the provision of contestable electricity services. <p>(c) A TNSP is not required by clause 4.2.3(a) to provide information to a legal entity where the TNSP has disclosed the information in the circumstances set out in clauses 4.2.2(a) to (e)</p> <p>(d) Without limiting clause 4.2.3(a), a TNSP must establish an information sharing protocol that sets how and when it will make the information referred to in clause 4.2.3(a) available to legal entities, and must make that protocol publicly available on its website.</p>	<p>ATG 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 ATG website.</p> <p>The information sharing protocol details the type of information that can be shared and the terms on which information will be shared. All information requests are copied to the ring-fencing mailbox, ringfencing@ausnetservices.com.au, which is monitored by the Compliance team. The Legal team assess if the information requested is appropriate to be shared.</p> <p>Information has been shared during CY2024 as detailed in the information sharing register published on the ATG 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 ATG 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"> ATG has in place a process to maintain and keep an information register. There were no instances of requests for access of information reported. ATG has in place a process to govern information sharing with an affiliated entity. ATG has in place a process to protect ring-fencing information. <p>Recommendations:</p> <p>None noted.</p>	Effective

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	<p>(e) Where a TNSP discloses information referred to in clause 4.2.3(a) to any other legal entity under this clause 4.2.3, it must do so on terms and conditions that require the other legal entity to comply with clause 4.2.1 and 4.2.2(a) to (d) in relation to that information as if the other legal entity was a TNSP.</p>			
4.2.4	<p>(a) A TNSP 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 affiliated entities of the TNSP; who request access to information identified in clause 4.2.3(a), and must make the register publicly available on its website. <p>(b) For each related electricity service provider or other legal entity that has requested that a TNSP provide access to information identified in clause 4.2.3(a), the TNSP's information register must:</p> <ul style="list-style-type: none"> i. identify the kind of information requested by the related electricity service provider or other 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 informed decision about whether to request that kind of information from the TNSP. <p>(c) A legal entity may request that the TNSP include it on the information register in relation to some or all of the kinds of information that the TNSP is required to provide under clause 4.2.3(a), and the TNSP must comply with that request.</p>	<p>ATG 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 ATG website.</p> <p>The information sharing protocol details the type of information that can be shared and the terms on which information will be shared. All information requests are copied to the ring-fencing mailbox, ringfencing@ausnetservices.com.au, which is monitored by the Compliance team. The Legal team assess if the information requested is appropriate to be shared.</p> <p>Information has been shared during CY2024 as detailed in the information sharing register published on the ATG website: Ring-fencing compliance (ausnetservices.com.au)</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 ATG 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 ATG's compliance against the obligation with the key points noted below:</p> <ul style="list-style-type: none"> • ATG has in place a process to maintain and keep an information register. <p>Recommendations:</p> <p>None noted.</p>	Effective

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4.3	<p>(a) A TNSP must ensure that:</p> <ul style="list-style-type: none"> i. marketing staff involved in the provision of prescribed transmission services are also not staff involved in the provision of contestable electricity services by a related electricity service provider; and ii. staff involved in the provision of prescribed transmission services are not marketing staff involved in the provision of contestable electricity services by a related electricity service provider. <p>(b) A TNSP may apply for a waiver of the obligations set out in this clause 4.3.</p>	<p>The Compliance team has performed an analysis of the obligation 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 relation to the requirements of section 4.3(a)(i) of the Guideline, given the nature of prescribed transmission services, AusNet does not have any marketing staff involved in the provision of prescribed transmission services.</p> <p>In relation to the requirements of section 4.3(a)(ii) of the Guideline:</p> <ul style="list-style-type: none"> • AusNet's organisation structure is based on a line of business (LoB) approach, meaning that the staff involved in the provision of prescribed transmission services sit within the Transmission team and have no involvement in the provision of any contestable electricity services, which are undertaken by the Gas & Metering team (in the case of contestable metering) and DF&N (in the case of contestable connections). • Marketing staff involved in the provision of contestable electricity services sit within DF&N (in the case of marketing staff for contestable connections), Gas & Metering (in the case of contestable metering) or within the Risk, Compliance and Corporate Affairs team (in the case of AusNet's general marketing and branding team). None of the staff in these teams report to, or have any involvement in relation to, the provision of prescribed transmission services (which is run out of the Transmission team). • AusNet has also run ring-fencing training over the course of 2023 and 2024 with the key AusNet teams affected by the Guideline, which include those teams involved in the provision of prescribed transmission services within Transmission line of business, as well as those teams involved in marketing contestable connections in DF&N. The general marketing and 	<p>Discussion held with:</p> <p>Corporate Communications Manager</p> <p>Senior Marketing Manager</p> <p>Legal Counsel</p> <p>Compliance Manager</p> <p>Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We obtained and inspected a list of ATG employees to identify any role descriptions that do not comply with this obligation.</p> <p>We obtained the list of two teams transitioned to new department and checked consistency against management assessment performed.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, we noted:</p> <p>ATG appropriately identified distinct roles for its RES and Mondo employees particularly in the marketing function, ensuring there are no staff sharing that is not in line with the Guideline.</p> <p>Recommendations:</p> <p>None noted</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
		<p>branding team in Risk, Compliance and Corporate Affairs were not included in the initial roll out of training as there is no marketing or branding associated with prescribed transmission services, meaning that that team is not involved in such services. However, the general marketing and branding team (together with all other staff) will be captured by the broader roll-out of transmission ring-fencing training by AusNet over the course of 2025.</p> <p>In order to streamline 4.3 (ii), two teams within the Connect Infrastructure division within the DF&N department was transitioned to Contestable Connections division. However, discussions with management revealed that there were no alterations to the fundamental services, operations or reporting of this division. As such, their roles were not subject to ring fencing measures, such as physical separation or information sharing restrictions, before or after the transition.</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 technical, administrative, accounting or service functions) they are also are 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>		
4.4.1	<p>A TNSP must ensure that any new or varied agreement between the TNSP and service provider for the provision of services of the TNSP that enables or assists the TNSP to provide prescribed transmission service, requires the service provider to comply, in providing those services, with clauses 4.1, 4.2.1 and 4.3 of the Guidelines as if the service provider was the TNSP; and</p> <p>(b) must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the TNSP engaged in the conduct itself, would be contrary to the TNSP's</p>	<p>With the introduction of the Transmission Ring Fencing Guidelines on 1 March 2023, and the requirements of clause 4.4.1(a) of those Guidelines, all of the template procurement contracts to which the TNSP may be a party were updated to include the reference of clause 4.4.1 (a) whereby the service provider should comply with clause 4.1, 4.2.1 and 4.3 of the Guideline at all times.</p> <p>The updated templates have been uploaded to the 'template database' on Ariba. The Procurement team, when looking to engage a supplier for a contract valued at greater than [REDACTED] is required to obtain that form of contract from the 'template database' on Ariba. Any amendments to those template documents are required to be approved by ATG legal, so ATG is comfortable that amendments/deletions of the ring-fencing clause will not occur.</p>	<p>Discussion held with:</p> <p>Compliance Manager</p> <p>Legal Counsel</p> <p>Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We obtained and inspected the Ring-fencing Policy which demonstrates that it complies with AER's requirement on functional separation.</p> <p>We inspected the process undertaken by management to ensure all arrangements were correctly identified and in compliance with the Guidelines.</p> <p>We obtained and inspected the Procurement Policy dated 20 December 2023 to ensure that it has in place</p>	Effective

Ref	Compliance Obligation	Process Description	Testing	Grading
	obligations under clause 4 of this Guideline.	<p>Where the value of the supplier contract is valued at less than [REDACTED] the Procurement team and business unit will issue an Order Form to which the Purchase Order T&Cs apply. The PO T&Cs are on the ATG website and were updated to incorporate the relevant ring-fencing clause – see clause 4.1(f) of the PO T&Cs. The PO T&Cs are rarely, if ever, amended, but if amendments are required by the supplier, those amendments require legal review and approval.</p> <p>Occasionally a supplier will require the contract to be on the supplier's T&Cs. In those cases, legal review and approval of the T&Cs is required, and if ring-fencing drafting is necessary, it will be included by the legal team as part of the negotiations of those T&Cs.</p> <p>Any variation agreements require legal review and approval, so if a contract under which the supplier is assisting the TNSP to perform prescribed transmission services is to be varied, legal will review and approve – ensuring the appropriate ring-fencing drafting is included.</p> <p>Further, the Procurement team has been provided with ring-fencing training and are aware of the requirements for the ring-fencing clause to be included, adding an additional layer of controls.</p> <p>The ATG Compliance team undertook a review of major contracts covering period 15 August 2024 to 15 December 2024</p> <p>This review focused on:</p> <ul style="list-style-type: none"> • contracts where ring-fencing clauses were not required, ie out of scope, expired or closed; • contracts where ring-fencing clauses were incorporated; and • contracts where ring-fencing clauses were required. <p>It was identified that only two contracts marked 'Ring-fencing clause required in contract' was a contract extension and variation (for notice details and price) in respect of a contracts originally entered in 2023 which did not include AusNet's template ring-fencing clause. However, the original contract (as extended and varied) did require the supplier to comply with 'legislative requirements.' Therefore, the Transmission contract</p>	<p>appropriate procedures and policies in the context of the Guideline.</p> <p>We inspected the existing templates of contracts, ie purchase order, consultancy agreement, design and construct agreement, service agreements, supply and installation of equipment agreement to ensure the relevant ring-fencing clauses are included.</p> <p>We inspected the Ariba database for the above agreements to ensure the agreements are made available to employees.</p> <p>We sampled a selection of contracts entered from 1 March 2024 to 31 December 2024 to ensure the relevant ring-fencing clauses have been included.</p> <p>Observations:</p> <p>Based upon the procedures performed, we noted the following:</p> <ul style="list-style-type: none"> • Upon inspection of existing templates in Ariba, we confirmed the relevant ring-fencing provisions have been incorporated within the templates. • We inspected the Procurement Policy document and have confirmed that all contracts that are greater than [REDACTED] requires the use of a contract template as approved by the legal team and for contracts less than [REDACTED] requires a Purchase order to be generated. • ATG has preventive controls to ensure all procurement arrangements entered into are managed in accordance with the Guideline, including mandatory consultation with the legal team, when applicable. • Based on a sampled selection of contracts and contract variations entered from 1 January 2024 to 31 December 2024, we noted that all contracts that ATG has determined to be in-scope of the Ring Fencing Guideline have either included a ring fencing provision, or have referred to a panel agreement that has included a ring fencing clause. • Through discussions with management, it was established that a review of contracts was performed in January 2025 focusing on identifying potential non-inclusion of the ring- 	

Ref	Compliance Obligation	Process Description	Testing	Grading
		identified in the Review did not breach the Guideline as 'legislative requirements' captures the supplier's obligations under the Guideline. No control failures were identified as part of this contract review.	<p>fencing clause. We inspected the materials summarising the scope and results of this assessment and noted two instances whereby the ring-fencing provisions were not explicitly included within the contract. However, the original contracts (as extended and varied) did require the supplier to comply with 'legislative requirements.' Therefore, the Distribution contract identified in the Review did not breach the Guideline as 'legislative requirements' captures the supplier's obligations under the Guideline.</p> <p>Recommendations: None noted</p>	

Obligation: Waivers – Section 5

Ref	Compliance Obligation	Process Description	Testing	Grading
5.7	<p>(a) A TNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) granted to the TNSP 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> <ul style="list-style-type: none"> i. the description of the conduct to which the waiver or interim waiver applies; and ii. the terms and conditions of the waiver or interim waiver; <p>as set out in the AER's written decision, provided by the AER to the TNSP, to grant (or vary) the waiver or interim waiver.</p>	<p>ATG currently has no ring-fencing waivers in place.</p> <p>The Compliance team maintains the waiver register and the Regulatory team is responsible for submitting a waiver application to AER in the event that there may be a need for additional waivers.</p> <p>On an annual basis, the AusNet Compliance Management System sends an automated compliance task alert to the nominated member of the Regulatory Team to perform a formal review of waiver requirements.</p> <p>The waivers register is formally reviewed on a quarterly basis by the Compliance team with any updates reflected in the waivers register.</p> <p>Maintaining the waiver register also includes ensuring its visibility on the AusNet website. A dedicated ring-fencing webpage is in place with any changes to the AusNet ring-fencing webpage are performed by the Customer Communications Team as directed by the Regulation or Compliance teams.</p>	<p>Discussion held with:</p> <p>Compliance Manager</p> <p>Legal Counsel</p> <p>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>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted with ATG's compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> • ATG has processes and controls in place to establish and maintain the waiver register <p>Recommendations:</p> <p>None noted.</p>	Effective

Obligation: Compliance Procedures and Compliance Reporting – Section 6

Guidance Assessment Criteria and Assessment Controls

Ref	Compliance Obligation	Process Description		Grading
6.1	<p>A TNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under clause 6A.21.1 of the NER. The AER may require the TNSP to demonstrate the adequacy of these procedures upon reasonable notice. However, any statement made or assurance given by the AER about the adequacy of the TNSP's compliance procedures doesn't affect the TNSP's obligations under clause 6A.21.1 of the NER.</p>	<p>ATG 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 ATG.</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 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</p> <p>ATG 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 ATG.</p>	<p>Discussion held with:</p> <p>Legal Counsel</p> <p>Compliance Manager</p> <p>Regulatory Compliance Officer</p> <p>Procedures performed:</p> <p>We obtained and perused the Ring-fencing Policy which demonstrates that it complies with AER's requirement on compliance procedures.</p> <p>We obtained and inspected the compliance spreadsheet tracker populated by the Compliance team which includes input from responsible person.</p> <p>We obtained and inspected the compliance calendar utilised by the Compliance team which includes all the reminder to submit the report.</p> <p>Observation:</p> <p>Based upon the discussions held and procedures performed, no exceptions were noted with ATG's compliance against the obligation with the key points noted below:</p> <ul style="list-style-type: none"> ATG has a specific regulatory compliance monitoring and reporting process to facilitate compliance. <p>Recommendations:</p> <p>None noted.</p>	Effective
6.2.1 (a)(b) (c)(d) and (e)	<p>A TNSP 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</p> <p>The annual compliance report must identify and describe, in respect of the calendar year to which the report relates;</p>	<p>ATG has internal procedures in place to ensure it complies with its obligations under the Guideline. Obligations are identified, recorded and assigned to 'responsible persons' in a centralised compliance management database. Responsible Persons ensure that these obligations are appropriately embedded in business activities including policies, processes, procedures, digital systems and tasks.</p> <p>ATG adopts a risk-based approach to compliance monitoring and assurance with Responsible Persons periodically attesting to the state of compliance. The attestations and supporting evidence provided by Responsible Persons is independently reviewed by the</p>	<p>Discussion held with:</p> <p>Legal Counsel</p> <p>Compliance Manager</p> <p>Procedures performed:</p> <p>We have been engaged by ATG to perform assessment of compliance of each provision of this Guideline (except 6.2.2 and 6.3) as the independent authority to assess compliance in relation to ring fencing.</p>	Effective

Ref	Compliance Obligation	Process Description	Grading	
	<p>i. The measure the TNSP has taken to ensure compliance with its obligation under the Guidance</p> <p>ii. Any breached of the Guideline by the TNSP, or which otherwise relates to the TNSP.</p> <p>iii. All other services provided by the TNSP in accordance with Clause 3.1</p> <p>iv. The purpose of all transactions between the TNSP and an affiliated entity.</p> <p>The annual compliance report must be accompanied by an assessment of compliance with each provision of this Guideline (except 6.2.2 and 6.3) by a suitable qualified independent authority.</p>	<p>Regulatory Compliance Function from a quality perspective and, where appropriate, clarification of responses is sought.</p> <p>ATG will initiate the annual attestation process mentioned above during 2024 with most of the clauses coming into effect from 1 May 2024 as currently ATG are reporting on transitional arrangements.</p>	<p>We have obtained and reviewed management's compliance report.</p> <p>Observation: Based upon the procedures performed, no exceptions were noted with ATG's compliance against the obligation with key point(s) below:</p> <ul style="list-style-type: none"> • ATG has regulatory compliance monitoring and reporting process to facilitate timely and accurate compliance reporting to the AER. <p>Recommendations: None noted.</p>	

5. Audit Opinion

Independent assurance report to the Directors of AusNet Transmission Group 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 Transmission Group Pty Ltd ("the Company") presents fairly the Company's compliance, in all material respects, with the transitional compliance requirements ("compliance requirements") as evaluated against the *Ring-fencing Guideline – Electricity Transmission Version 4* (the "Guideline"), for the period 1 January 2024 to 31 December 2024 for the purpose of reporting to the Australian Energy Regulator.

In our opinion, drawing attention to our audit findings in Summary of Audit Findings, 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 2024 to 31 December 2024.

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 Transmission Group 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 1 January 2024 to 31 December 2024. 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 1 January 2024 to 31 December 2024.

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 1 January 2024 to 31 December 2024 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 Transmission Version 4*. Our report is intended solely for use by AusNet Transmission Group Pty Ltd and the Australian Energy Regulator (collectively the "Recipients") pursuant to the terms of our engagement agreement dated 17 February 2025.

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 2025