Ausgrid Ring-fencing Report

1 January – 31 December 2024

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Overview

The *Ring-fencing Guideline Electricity Distribution Version 3* (the **Guideline**) requires each Distribution Network Service Provider (**DNSP**) to prepare a ring-fencing compliance report each regulatory year. Ausgrid Operator Partnership (ABN 78 508 211 731) (**Ausgrid**) is a DNSP, and this document (**Report**) has been prepared in compliance with clause 6.2 of the Guideline and other applicable provisions.

The reference period for this Report is 1 January 2024 to 31 December 2024 (the **Period**). The Report addresses Ausgrid's adherence to Version 3 of the Guideline, as applicable to the Period.

Capitalised terms used in this Report, which are not otherwise defined in this Report, have the meaning given to them in the Guideline or the National Electricity Rules.

This report is accompanied by Ausgrid Ring-fencing Assurance Report 2024, which is an assessment of Ausgrid's compliance with each provision of the Guideline (except clauses 6.2.2 and 6.3) by Pricewaterhouse Coopers in accordance with clause 6.2.1(c) of the Guideline.

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Introduction

As mandated by the Guideline, this Report identifies and describes, in respect of the **Period**:

- The measures Ausgrid has taken to ensure compliance with the provisions of the Guideline;
- Any breaches of the Guideline by Ausgrid (or which otherwise relate to Ausgrid);
- All 'other services' provided by Ausgrid, in accordance with clause 3.1 of the Guideline; and
- The purpose of all transactions between Ausgrid and its affiliated entity, PLUS ES Partnership (ABN 30 179 420 673) (**PLUS ES**).

The Report in summary

Topic	Summary of Section	Where to find in this Report
Breaches	Ausgrid had one breach of the Guideline during the Period.	Section 1
Compliance Measures	During the Period, Ausgrid maintained appropriate internal procedures and controls to ensure compliance with Guideline obligations. During the Period, new initiatives and additional controls were introduced to further strengthen and streamline ring-fencing compliance.	Section 2
Provision of 'other Services'	Ausgrid provides 'other services' in accordance with clause 3.1 of the Guideline.	Section 3
Purpose of transactions with PLUS ES	Ausgrid's transactions with PLUS ES fall within the following four service categories: 1. Metering related (Alternate Control Services) 2. Metering related (Standard Control Services) 3. Electrical and Fibre Services 4. Testing services	Section 4

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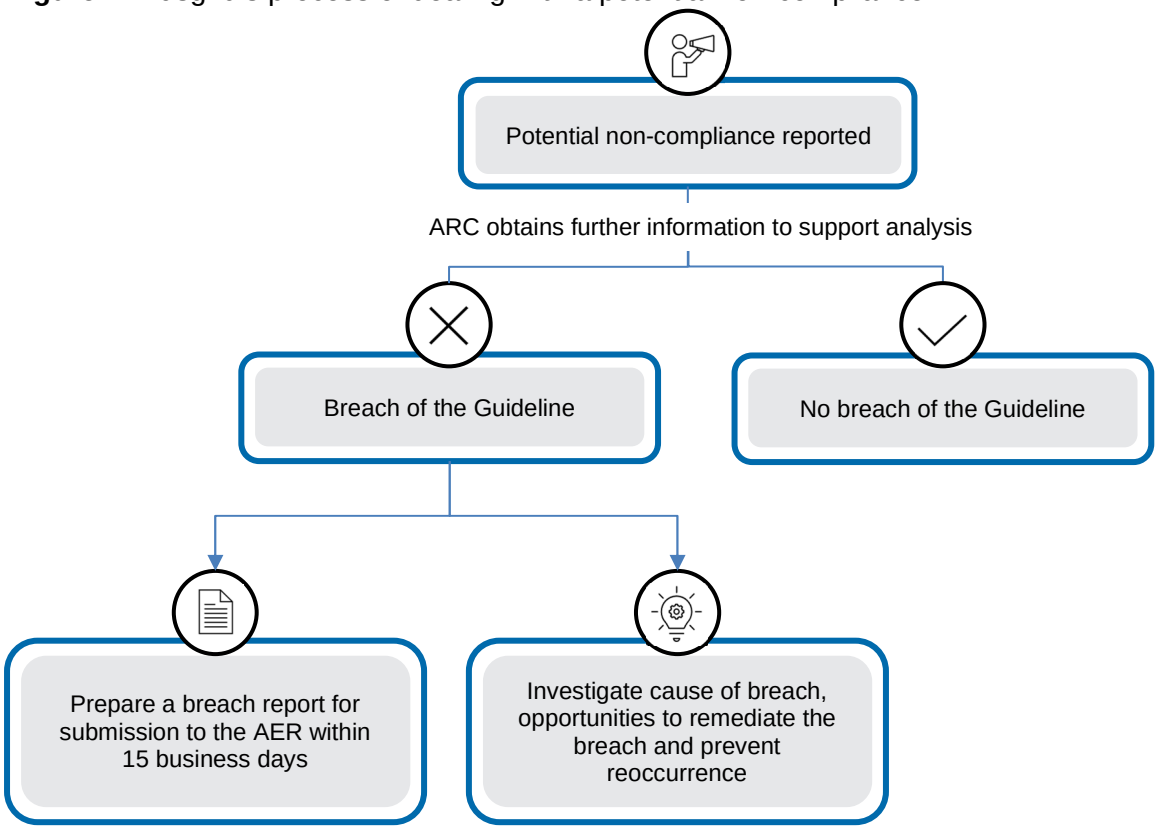
1. Breach Management

In line with Ausgrid's values, Ausgrid utilises its Compliance Management Framework (the **Framework**) to establish a mechanism that allows it to identify and escalate ring-fencing related issues.

Figure 1: Ausgrid's various methods of identifying non-compliances:

- **Internal compliance reviews**
- **Annual attestation of controls**
- **Employees notify the Audit, Risk and Compliance (ARC) team**
- **Complaints or other feedback**
- **Whistleblower process**
- **Information Communication Technology (ICT) data loss identification and escalation process**
- **Periodic Operational Forum involving key stakeholders**

Figure 2: Ausgrid's process of dealing with a potential non-compliance:



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1.1 April 2024 Breach

Summary

On 24 April 2024, a PLUS ES advertisement, which was to be posted on PLUS ES' LinkedIn page, was inadvertently posted on Ausgrid's LinkedIn page. This was caused by a new staff member who inadvertently selected Ausgrid's account to post the advertisement, rather than PLUS ES' account.

Within 30 minutes of posting, an internal staff member noticed the error and had the post removed.

In accordance with clause 6.3 of the Guideline, this breach of clause 4.2.3 (a)iii. of the Guideline was reported to the AER within 15 business days of becoming aware of the breach.

Assessment of the possible detriment and the timeline for any corrective/ remedial actions

The post was live for only 45 minutes from 8am. Ausgrid attempted to retrieve the logs to identify how many and who had viewed the post, however, given the post was deleted, the logs no longer existed.

Given the brief period during which the post was live, Ausgrid considered that there was likely to be minimal impact from this breach on customers and/or the contestable market.

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2. Compliance with the Guideline

The following section summarises the key compliance priorities or activities undertaken through the reporting period, including but not limited to any new initiatives, improvements and/or compliance focus by Ausgrid. For a comprehensive view of how our compliance controls meet each applicable obligation of the Guideline, please refer to Ausgrid Ring-fencing Assurance Report 2024.

2.1. Internal Audit – Ring-fencing compliance

During 2023, Ausgrid's internal audit function undertook an audit to review the controls in place for ring-fencing compliance. The purpose of the internal audit was to review ring-fencing controls to identify whether controls were effectively designed to maintain compliance with the Guideline and to assess staff understanding of the guidelines.

The internal audit report was finalised in February 2024 and confirmed that both Ausgrid and PLUS ES staff have high levels of awareness of the need to maintain separation between the two organisations for direct control services. The audit did not identify any ineffective controls or instances of non-compliance with the Guideline, and the report included recommendations to streamline some of the controls where inefficient processes were noted.

2.2. Ring-fencing compliance uplift program

The outcome of the internal audit triggered an uplift program which enabled:

Streamlined Procedures

Refreshed ring-fencing procedures to enhance the focus on risk whilst supporting innovation and compliance.

Impact Assessments

The requirement to complete a ring-fencing impact assessment checklist to ensure ring-fencing controls are considered at the start of new lines of business.

Formalised forum

Established an ongoing operational forum of key stakeholders to discuss significant ring-fencing topics and any potential incidents.

Myth busting

Promoting ongoing communication of ring-fencing obligations to simplify and empower staff to confidently carry out their duties in compliance with requirements.

Escalation path

Implemented formal processes which provide staff with clearer visibility of communication and the escalation path for ring-fencing queries.

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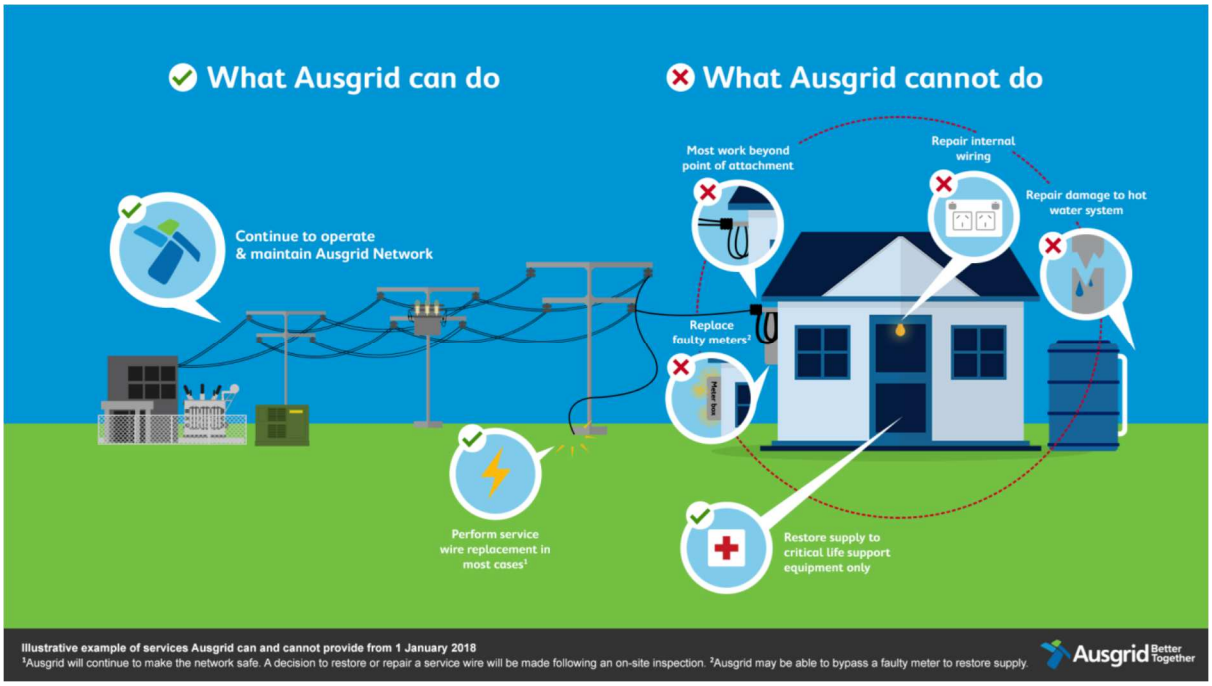
2.3. Legal Separation

Ausgrid is permitted to provide dual function asset services but is prohibited from providing 'other services'[1]. Legal separation is achieved through the existence of PLUS ES, Ausgrid's 'Related Electricity Service Provider' (**RESP**) which provides all 'other services'[2]. This demarcation is illustrated in Figure 3, with the '30-minute rule' being an exception.

Figure 3: Legal Separation at Ausgrid



2.4. Cost Allocation Method

Ausgrid attributes and allocates costs to individual lines of business including PLUS ES consistent with its AER-approved cost allocation methodology (**CAM**), the Cost Allocation Principles and clause 3.2.2 of the Guideline.

Ausgrid has the following controls in place to ensure the appropriate application of the CAM:

Annual review of cost allocators and allocation methodology
This is subject to an annual audit in connection with the submission of Regulatory Information Notices (**RINs**).

Monthly journal transfer and reconciliation processes
Journal transactions are recorded in accordance with the CAM and Corporate Service Agreement.

Separate SAP systems
Ausgrid and PLUS ES have their own accounting systems and are separate legal entities for the purposes of recording transactions between Ausgrid and PLUS ES.

Accounting and Finance personnel
The team ensures compliance with and pragmatic application of the approved CAM and that Ausgrid and PLUS ES accounts are distinctly separated.

[1] In accordance with clause 3.1 of the Guideline.
[2] Permitted under the exception of clause 3.1(d) of the Guideline and further outlined in Section 4 of this Report.

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2.5. Functional Separation

2.5.1 Discrimination

Ausgrid does not discriminate between PLUS ES and their competitors, or potential competitors, in relation to the provision of direct control services by Ausgrid or contestable electricity services.[3] Additionally, in relation to the supply of contestable electricity services, Ausgrid does not discriminate between any legal entities based on their use of assets that Ausgrid has an interest in.[4] Ausgrid has complied with the requirements for dealing with PLUS ES, and competitors or potential competitors set out in clause 4.1(c) of the Guideline.

The above is achieved by embedding robust compliance controls within Ausgrid's processes and business culture.

2.5.2 Physical separation / co-location

Ausgrid's Procedure – Accommodation, which applies to all Ausgrid and PLUS ES staff, underpins the allocation of office space to Ausgrid and PLUS ES in compliance with the Guideline. This procedure is supported by a high-risk staff register which identifies the staff which need to be separated based on their roles and access to ring-fenced information.

ARC also conducts monitoring of the annual testing of physical segregation arrangements. Any adverse findings arising from these reviews are further investigated and, where required, actions are implemented to rectify the issue or process.

2.5.3 Branding and cross promotion

Ausgrid and PLUS ES each have its own branding guidelines and marketing campaigns. Examples of separate branding include:

Ausgrid's ring-fencing compliance controls aim to prevent cross promotion of PLUS ES, particularly in the contestable electricity services market.

This obligation is emphasised through the following methods:

- Contact Centre leaders and staff are provided with scripts which clearly advise staff not to mention or refer work to PLUS ES;

[3] Clause 4.1(b) of the Guideline.
[4] Clause 4.1(d) of the Guideline.

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- Ausgrid field staff are trained to provide scripted refusals to customers who ask them to perform contestable work unless associated with our vulnerable customer protocols; and

Staff are reminded of their ring-fencing obligations by their managers, as well as through annual training modules.

2.6. Waivers

Ausgrid has been granted the following class waivers and provided quarterly updates to our website's waiver register:[5]

- to provide Reliability and Emergency Reserve Trader (**RERT**) services via voltage management, which exempts Ausgrid from functional separation obligations (clause 4.2 of the Guideline) under the class waiver. However, Ausgrid is not currently offering any RERT services.
- to participate in the Commonwealth Government's Community Batteries for Household Solar program. For batteries funded under this program, Ausgrid is permitted to lease battery capacity to third parties and is exempt from its obligations to ensure legal and functional separation (**community battery class waiver**).[6] under this waiver and program, Ausgrid installed ten community batteries, of which six were funded by the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) and four were partially funded by ARENA. An additional twelve batteries were also awarded and funded by ARENA, which are expected to be completed in FY26.
- to enable Ausgrid to bid to be a Network Operator for the Central-West Orana Renewable Energy Zone (**REZ**). However, as the NSW Government later clarified that DNSPs can bid for REZ projects and EnergyCo did not select Ausgrid as Network Operator for this project, the exemptions from certain ring-fencing obligations under the class waiver are not applicable to Ausgrid.

[5] In accordance with clause 5.7 of the Guideline.
[6] Waiving clauses 3.1, 4.2.1, 4.2.2 of the Guideline.

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3. Other services

Ausgrid provides a range of other services as permitted under the Guideline.

Table 1: Ausgrid's provision of other services under the protection of clause 3.1(d) of the Guideline:

Applicable sub clause of 3.1(d)	Service(s) provided	Details
i.	Ausgrid provides services to other legal entities (such as telecommunication providers and EV charging network providers) including the rights to use our assets such as: • Poles • Dark fibre • Duct • Data backhaul service • Other structural network assets	The services are provided under licence arrangements and agreements.
ii.	The following corporate services were provided to PLUS ES: • General Administration • General Corporate • Accounting/Finance • Treasury • Human Resources/Payroll • ICT • Legal/Regulatory • Procurement • Fleet • Health, Safety and Environment • Company Secretary and Office of CEO • Audit • Corporate Affairs • Property & Facilities	Ausgrid provided these services[7] to PLUS ES on an arm's length basis under the Services Agreements[8].
iii.	The relevant office and staff provided to PLUS ES are recorded in Ausgrid's: • Shared office register • Staff sharing register	Ausgrid has allowed for staff sharing and co-location arrangements in limited and highly controlled circumstances[9].
iv.	Electricity information was provided to PLUS ES as our contracted service provider for the following services: • Ausgrid's Metering Services • Ausgrid's Electrical and Fibre Services Electricity information is also provided to other service providers, such as our vegetation management contractors.	Ausgrid is permitted to provide electricity information to PLUS ES[10], provided that any ring-fenced information is protected[11].

[7] In accordance with clause 3.1(d)ii. of the Guideline.
[8] While adhering to its obligations under clause 3.2 of the Guideline.
[9] In accordance with clause 3.1(d)iii., clause 4.2.1(b) and clause 4.2.2(b) of the Guideline.
[10] In accordance with clause 3.1(d)(iv) of the Guideline.
[11] In accordance with clause 4.3 of the Guideline.

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4. Summary of transactions with PLUS ES

PLUS ES provides a range of services to Ausgrid. They are provided under the terms of four service agreements.

Table 2: PLUS ES provision of services to Ausgrid:

Transactions	Purpose
Electrical and Fibre Services: • Ausgrid Fibre Optic Network • External third-Party Fibre Optic Duct Study Request – Facilities Access • Customer Works Associated with Substation Replacement Removal • Safety Standby Services for Customers Accessing Substations • Undergrounding of Service Mains • Subs-Transmission Network Maintenance • Specialist Projects • Facilities Access transactional work • Batteries design and installation • EV Charging design and installation	Ancillary to its own distribution and transmission services, Ausgrid contracts for certain services to specialised providers. (Facilities Access transactions include billing of Ausgrid's customers in Ausgrid's billing system and the processing of Ausgrid customer applications for new services with dedicated staff)
Testing Services: • Electrical Testing Services • Conduct of Tests - Electrical Testing • Test Documentation - Electrical Testing • Record Retention and Ownership - Electrical Testing • Consulting Services - Electrical Testing	Ancillary to its own distribution and transmission services, Ausgrid contracts for certain services to specialised providers.
Metering Related (Alternative Control Services)	Provide Metering Services to enable the Ausgrid Network to provide Alternate Control Services and related Ancillary Network Services.
Metering Related (Standard Control Services)	Provide Metering and related Services for the Ausgrid Network to enable it to provide Standard Control Services with respect to the Metering Points.
Metering Related (Additional Data)	Provide additional power quality data to enable monitoring of the Ausgrid Network.

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