

AER Ring-fencing Guideline Electricity Transmission Compliance Report

ElectraNet Pty Ltd

April 2025



**Shape the future
with confidence**

Contents

1.	Executive summary	1
1.1	Introduction	1
1.2	Background.....	1
1.3	Scope	1
1.4	Methodology	1
1.5	Executive comment.....	2
1.6	Conclusion	2
2.	Auditor Statement	3
3.	Detailed audit findings	5
3.1	Compliance with obligations.....	5
3.2	Managements process, procedures performed by EY and results	6
3.3	Observations noted.....	20

1. Executive summary

1.1 Introduction

The Australian Energy Regulator (“AER”) published the Ring-fencing Guideline (the “Guideline”) for Electricity Transmission on 15 August 2002 (subsequently revised 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 services.

1.2 Background

Ernst and Young (“EY”, “We or we”) has been engaged under an arrangement with ElectraNet Pty Ltd (“ElectraNet” or the “TNSP”) to perform an independent reasonable assurance engagement, as defined by Standards on Assurance Engagement, to report on whether ElectraNet Pty Ltd’s Annual Compliance Report that states ElectraNet has complied with the compliance requirements is, in all material respects, fairly presented as evaluated against the Guideline (except for clauses 6.2.2 and 6.2.3), for the period 1 January 2024 to 31 December 2024.

This reasonable assurance engagement was undertaken following the request of AER pursuant to Section 6.2 Compliance Reporting of the Guideline.

1.3 Scope

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

- ▶ An attestation from the TNSP signed by the officer (as defined in clause 1.4 of the Guideline) that the information provided by ElectraNet to the assessor (EY) was complete and correct.
- ▶ A statement from the assessor (EY) 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 (EY) 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 (EY) during the undertaking of its assessment, that may or may not have been subsequently addressed by ElectraNet.

1.4 Methodology

ElectraNet has prepared an annual compliance report in accordance with the Guideline for the period from 1 January 2024 to 31 December 2024.

We obtained an understanding of the Guideline sufficient to enable the identification and assessment of the risks of non-compliance with the Guideline, that were not disclosed in the ElectraNet compliance report for the period from 1 January 2024 to 31 December 2024.

We understood the obligations clauses per the Guideline and conducted interviews with key stakeholders to understand how ElectraNet satisfies each obligation. From our interviews we identified the key policies and procedures, processes and controls that management has designed to support compliance with each obligation.

We performed an assessment of the design and implementation 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 conducted sample testing over the identified key controls to determine whether ElectraNet complied, in all material respects, with the Guideline for the period from 1 January 2024 to 31 December 2024.

Compliance has been assessed to a level of reasonable assurance in accordance with the Standard on *Assurance Engagement ASAE 3100 Compliance Engagements*, based on sample sizes determined using professional judgement.

1.5 Executive comment

Management accepts the results of the audit and will demonstrate corrective steps to address each observation.

1.6 Conclusion

Refer to Section 2 of the report for the full Auditor's Statement.

2. Auditor Statement

Independent assurance report to the Directors of ElectraNet Pty Ltd

Opinion

We have undertaken a reasonable assurance engagement, as defined by Standards on Assurance Engagements, to report on whether the Annual Compliance Report of ElectraNet Pty Ltd (the "Company") presents fairly the Company's compliance, in all material respects, with the compliance requirements ("compliance requirements") of the *Ring-fencing Guideline - Electricity Transmission Version 4* (the "Guideline"), (except for clauses 6.2.2 and 6.2.3) for the period of 1 January 2024 to 31 December 2024, for the purpose of reporting to the Australian Energy Regulator.

In our opinion ElectraNet Pty Ltd's Annual Compliance Report that states the Company has complied with the compliance requirements is, in all material respects, fairly presented as evaluated against the Guideline (except for clauses 6.2.2 and 6.2.3), for the period of 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 the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

ElectraNet Pty Ltd's responsibilities

ElectraNet Pty Ltd is responsible for:

- a. Preparation of an Annual Compliance Report for the period of 1 January 2024 to 31 December 2024, which sets out the measures ElectraNet has taken to ensure compliance with its obligations under the Guideline;
- b. Providing a Statement with respect to the outcome of the evaluation of the Company's compliance against the compliance requirements, which accompanies this independent assurance report;
- c. Completion of 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 ElectraNet Pty Ltd's Annual Compliance Report with the respect to the Company's compliance, in all material respects, as evaluated against the Guideline (except for clauses 6.2.2 and 6.2.3), for the period of 1 January 2024 to 31 December 2024. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether ElectraNet Pty Ltd's Annual Compliance Report is, in all material respects, fairly presented as evaluated against the Guideline for the period of 1 January 2024 to 31 December 2024.

An assurance engagement to report on ElectraNet Pty Ltd'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 ElectraNet and designing and performing procedures to determine whether management controls are in place to satisfy the obligation clauses as per the Guideline. Our tests of controls were primarily conducted using inquiry, observation and inspection procedures. In certain situations, we have relied upon representations from management through inquiry only.

A reasonable assurance engagement for the period of 1 January 2024 to 31 December 2024 does not provide assurance on whether compliance with the compliance requirements will continue in the future.

Restriction on distribution

This assurance report has been prepared in accordance with the requirements of the Guideline. Our report is intended solely for ElectraNet and the AER (collectively the "Recipients") pursuant to the terms of our engagement agreement dated 6 December 2024.

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



Ernst & Young
Adelaide
17 April 2025

3. Detailed audit findings

The ElectraNet Ring-Fencing Annual Compliance Report sets out the Statement of Compliance for the Regulatory Period ended 31 December 2024. Our Independent Reasonable Assurance Report to the Directors of ElectraNet and the Australian Energy Regulatory ('Regulator') is set out in Section 2.

Section 3.1 provides a summary of our assessment of ElectraNet's compliance with each obligation.

Section 3.2 provides detail of the processes implemented by ElectraNet to meet the obligations outlined in the Guideline, the procedures we performed, and results from these procedures.

Section 3.3 provides a summary of observations noted for consideration in future periods. We note these observations did not lead to non-compliance being detected but provide are suggestions for continuous improvement.

3.1 Compliance with obligations

The table below summarises the assessed compliance rating against each obligation of the Guideline.

Section	Obligation	ElectraNet assessed compliance rating	Assessor compliance rating
3.1	Legal Separation	Compliant	Compliant
3.2.1	Establish and maintain Accounts	Compliant	Compliant
3.2.2	Cost allocation and attribution	Compliant	Compliant
4.1	Obligation not to discriminate	Compliant	Compliant
4.2.1	Protection of ring-fenced information	Compliant	Compliant
4.2.2	Disclosure of information	Compliant	Compliant
4.2.3	Sharing of information	Compliant	Compliant
4.2.4	Information Register	Compliant	Compliant
4.3	Staff separation	Compliant	Compliant
4.4	Service providers	Compliant	Compliant
5	Waivers	Compliant	Compliant
6.1	Maintaining compliance	Compliant	Compliant
6.2	Compliance reporting	Compliant	Compliant
6.3	Compliance breaches	Compliant	Compliant

3.2 Managements process, procedures performed by EY and results

This table below outlines a summary of the work performed for each obligation in the Guideline, the results from the procedures, and whether ElectraNet has complied with the Guideline for the regulatory period ended 31 December 2024.

Clause	Obligation	Management Process	Procedures Performed	Results
3.1 (a)	A TNSP must be a legal entity.	Maintain Australian Company status of the TNSP.	Inspect the legal entity structure and confirm through ABN and ACN search of companies.	EY performed a search of both ElectraNet Pty Ltd and ElectraNet Transmission Information Pty Ltd. EY noted that both are registered as separate legal entities with a unique ABN and/or ACN.
		Ensure Transmission Licence remains valid and current.	Obtain and inspect the current Transmission Licence to ensure currency.	EY obtained and inspected the licence which was signed by the Commissioner on the 16 th of October 2019. The licence was issued to ElectraNet Pty Ltd being the appropriate TNSP.
3.1 (b) - (c)	<p>Subject to clauses 3.1(c), (d) and (e), a TNSP may provide transmission services, but must not provide other services.</p> <p>Notwithstanding any other provision of the Guideline, a TNSP must not;</p> <p>i. Enter into any new agreement; or</p> <p>ii. Agree to a material variation to an existing agreement</p> <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</p>	ElectraNet sought legal advice related to telecommunication services to ensure the current service offering does not amount to the provision of 'other services'.	Inquire of Management and Legal Counsel regarding the advice received and inspect legal correspondence.	EY inquired of Management and Legal Counsel and inspected the legal advice, noting the advice sets out that the telecommunication services currently offered does not amount to the provision of 'other services'.
		The Regulation team provided deep dive training to the Business Development, Connections and Connected Customer teams.	Obtain the deep dive training provided and review the shared assets review process for new services or contracts.	EY obtained and reviewed the deep dive training material provided to the Business Development, Connections and Connected Customer staff and confirmed that the training content included the shared assets review process for new services or contracts.
		The training included the shared assets review process for new services/contracts to ensure the services requested by customers fall within those permitted under clause 3.1(e)(i).	Inquire of management as to whether any new or varied contracts granting usage of any energy storage unit were entered into during the period.	EY did not identify any new agreements, or material variations to existing agreements to grant a third party the right to use a Battery Energy Storage System (BESS), operated or controlled by ElectraNet. Prior to the transitional year, ElectraNet entered an arrangement with AGL for its use of
		Mandatory consultation with the Legal team for procurement contracts relating to other allowable services that are non-standard is required before entering into an agreement.		

Clause	Obligation	Management Process	Procedures Performed	Results
	TNSP with network support service.			a BESS owned by ElectraNet. This arrangement commenced in October 2017, prior to the introduction of Guideline on 1 March 2023. On this basis, the contract is grandfathered and should ElectraNet wish to extend this contract a waiver would be required from the AER.
3.1 (d) - (e)	<p>d. Clause 3.1(b) does not prevent:</p> <ul style="list-style-type: none"> i. An affiliated entity of a TNSP providing other services; and ii. a regulated DNSP and TNSP from being the same legal entity in which case a TNSP who is also a regulated DNSP, can provide any distribution services in accordance with the Distribution Ringfencing Guideline. <p>e. Clause 3.1(b) does not prevent a TNSP:</p> <ul style="list-style-type: none"> i. Subject to clause 3.1(c), granting another legal entity the right to use assets of the TNSP, where those assets are also used by the TNSP to provide transmission services or other services, but only where doing so does not materially prejudice the provision of prescribed transmission services by the TNSP; ii. Providing corporate services (such as general administration, accounting, payroll, human resources, legal 	New shared asset contracts are reviewed by the Network and Legal team before being signed.	Inquire with Management regarding the process for signing a new service for a shared asset.	EY inquired of Management regarding the process for signing a new service for shared asset contracts. The Network and Legal team review contracts to ensure that the services offered are permitted and there are no shared assets that could prejudice the provision of prescribed transmission service. Refer to Observation 2 in Section 3.3.
		The regulation team reviews the report of new contracts and renewals signed periodically.	Obtain and inspect the report of new contracts signed during the period and test that they do not breach the ring-fencing guidelines.	EY obtained a list of all contracts and selected a sample that management identified as requiring the ring-fencing clause. EY inspected the signed contracts for the required ring-fencing clauses. EY selected a sample of contracts that management identified as not requiring the ring-fencing clause. We reviewed the contract to determine the service being provided, ensuring it was not a service that would result in the contract being captured by the ring-fencing guideline.
		ElectraNet's portfolio of services does not include corporate services.	Inquire with Management to understand the services provided by ElectraNet. Obtain listing of expenses incurred and inspect transaction listings for references to corporate services.	EY inquired with Management and understood the service offerings to RESP's and other legal entities noting that no services such as general admin, accounting, payroll or human resources are provided. EY obtained a listing of expenses incurred and inspected the register for costs associated with corporate services, corroborating our inquiry of Management.
		ElectraNet provides assistance in accordance with the approved Crisis Management Plan (CMP).	Inspect the CMP to understand the information shared under emergency circumstances. Inspect Board meeting minutes for action taken in an emergency event against the CMP.	EY inspected the CMP which details the procedures that are designed and exercised in accordance with the applicable Act's. EY inspected the minutes of Board Meetings held during the period and did not identify any

Clause	Obligation	Management Process	Procedures Performed	Results
	<p>or regulatory, or information technology support services) to a RESP or other legal entity;</p> <p>iii. Providing electricity information to another legal entity where doing so is not prohibited by clause 4.1(c)(iv) or clause 4.2;</p> <p>iv. 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;</p> <p>v. Providing any other services authorised in accordance with the waiver process set out in clause 5 of this Guideline</p>			instances of assistance being provided beyond a Network Service Providers reasonable control.
3.2.1 (a)-(b)	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.	ElectraNet maintains a robust internal accounting procedure through its Cost Allocation Methodology (CAM) that was approved by the AER on the 15 of August 2008.	Inspect and understand approvals for the Cost Allocation methodology being used.	EY inspected ElectraNet's approved Cost Allocation Methodology for currency.
3.2.2 (a)-(d)	A TNSP must allocate or attribute costs (including costs allocated or attributed to the TNSP by a parent entity) to transmission services in a manner that is consistent with the Cost Allocation Principles and its	<p>Internal Accounting Procedures for the Transactions of its Category of transmission services.</p> <p>All transactions are recorded in accordance with internal ring-fencing accounting and accounting consolidation procedures and costs are allocated to regulated and unregulated activities in accordance with the AER approved CAM effective from 15 August 2008.</p>	<p>Inquire with the Finance team to understand the process.</p> <p>Obtain and inspect a sample of transactions during the reporting period to ensure costs are allocated in line with the CAM.</p>	<p>EY noted ElectraNet has a process in place to manage the attribution of direct costs and the allocation of shared costs between the different category of services under the approved Cost Allocation method.</p> <p>EY obtained a listing of all purchase orders for the period and selected a sample of costs to assess whether the cost centre allocation is aligned with the CAM.</p>

Clause	Obligation	Management Process	Procedures Performed	Results
	<p>approved Cost Allocation Methodology.</p> <p>A TNSP must not allocate or attribute other costs to the transmission services it provides.</p> <p>A TNSP must establish, maintain and keep records that demonstrate how it meets the obligations in clauses 3.2.2(a) and (b).</p> <p>For the avoidance of doubt, a TNSP cannot apply for a waiver of the obligation set out in this clause 3.2.2.</p>	<p>Transactions with affiliates are closely monitored by the Financial Accounting team and reviewed by Management on a half-yearly basis.</p>	<p>Obtain and inspect supporting evidence of the review.</p>	<p>Our sample testing did not identify any purchase orders that were not allocated in accordance with the CAM.</p> <p>ElectraNet performs a half-yearly review of the of the transactions through the use of unique cost codes aligned with the CAM. Cross checks and discrepancy analysis are identified and reviewed by management.</p> <p>EY obtained the half-yearly report, noting evidence of management review was performed.</p>
4.1 (b)	<p>A TNSP must not discriminate (either directly or indirectly) between a RESP and a competitor (or potential competitor) of a RESP in connection with the provision of prescribed transmission services by the TNSP (whether to itself or to any other legal entity).</p>	<p>Customers are connected in accordance with the Customer Charter.</p>	<p>Obtain the Customer Charter and understand the processes for existing and new customers.</p>	<p>EY selected a sample of contracts and obtained the agreements to ensure consistency between clauses for RESPs and other competitors.</p> <p>EY did not identify any discrimination through contracts selected between new and existing customers by the inclusion of clause variations.</p> <p>Furthermore, the Customer Charter available on ElectraNet's website outlines the services that ElectraNet provide and their commitment to both new and existing customers to provide connection services in accordance with NER rules.</p>
		<p>The Customer Connections process is reviewed to ensure equivalence in like circumstances and compliances with NER Chapter 5.</p>	<p>Inquire of Management regarding the customer connections process and obtain the NER Chapter 5 Guidance to understand the customer connection timing.</p>	<p>EY did not identify any discrimination against customers through the customer connections process by assessing the stipulations in the agreement which details that customers are connected in accordance with NER rule 5.3.3.</p> <p>EY inspected the customer connections process timelines on the ElectraNet website noting they are in accordance with the NER rule 5.3.3.</p>
		<p>ElectraNet website highlights that transmission services can include contestable services.</p>	<p>Inspect ElectraNet website for evidence.</p>	<p>EY noted that ElectraNet's website clearly states that transmission services can include contestable services and highlights the importance of discussing the formal enquiry</p>

Clause	Obligation	Management Process	Procedures Performed	Results
				with the Business Development team before making a connection enquiry.
4.1 (c) (i) (ii) (iii) & (iv)	<p>Without limiting its scope, clause 4.1(b) requires a TNSP to:</p> <p>in dealing or offering to deal with a RESP, treat the RESP as if it were not a RESP (that is, as if it had no connection or affiliation with the TNSP);</p> <p>in like circumstances, deal or offer to deal with a RESP and a competitor (or potential competitor) of the RESP on substantially the same terms and conditions;</p> <p>in like circumstances, provide substantially the same quality, reliability and timeliness of service to a RESP and a competitor (or potential competitor) of the RESP;</p> <p>subject to clause 4.2.2(b), not disclose to a RESP information the TNSP has obtained through its dealings with a competitor (or potential competitor) of the RESP where the disclosure would, or would be likely to, provide an advantage to the RESP.</p>	<p>Transmission Connection Agreement (TCA's) Terms for outages are reviewed to ensure equivalence in similar circumstances or similar terms.</p>	Select a sample of TCA Connection Agreements and inspect clauses for consistency between agreements.	EY did not identify any equivalence through outage clauses between different customers through TCA's.
		<p>Annual training program that highlights the importance of fairness and compliance and additional training for staff directly impacted by the ring-fencing guidelines.</p>	Inspected ring-fencing training and examined the content to ensure it addresses the compliance obligation.	The ring-fencing training provided to key staff members involved in the process highlights the importance of non-discrimination between RESP's and customers.
4.2.1	<p>A TNSP must:</p> <p>a) keep ring-fenced information confidential; and</p>	<p>Systems of Critical Information (SOCI) that contain ring-fenced information is maintained and monitored for compliance.</p>	Inquire of the review process undertaken and obtain evidence of the review.	<p>Reviews of IT systems are completed on an annual basis by the Compliance Manager.</p> <p>EY obtained the SOCI workbook and reviewed the systems that are identified as containing ring-fenced information for user access.</p>

Clause	Obligation	Management Process	Procedures Performed	Results
	b) only use ring-fenced information for the purpose for which it was acquired or generated.	IT system access for RESPs is restricted based on job requirements.	Test user access rights for RESP employees based on job requirements.	EY tested a sample of RESP employee system access and inspected user access for those employees against the SOCI with no exceptions.
		All IT system access is monitored and reviewed for compliance.	Select a sample of RESP employee information access.	EY tested a sample of RESP employee information access and inspected managements review to ensure that ring-fenced information was not provided. No instances of a breach were identified.
4.2.2 (a) - (h)	A TNSP must not disclose ring-fenced information to any person, including a RESP, unless:	Information sharing protocol for ring-fenced information is publicly available on the ElectraNet website.	Inspect ElectraNet's website and perform inquiries with management regarding the Information Sharing Protocol.	EY inspected the Information Sharing Protocol and confirmed it appropriately documents what information can and cannot be disclosed per the ring-fencing guideline.
	The TNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the ring-fenced information relates;	Deep Dive Training is provided to high-risk employees for information access, disclosure, and sharing.	Obtain Deep Dive Training provided to high-risk staff and inspect content covered to address the Guideline requirement.	EY inspected the Deep Dive Training materials confirming that it appropriately covers the key issues for information access and disclosure access.
	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		Test employee compliance with training.	EY identified high-risk employees who had not completed the deep dive training during the period. We inquired of management noting that the training is provided quarterly and those employees missing will still be required to complete the training. Although not all staff had completed the training, we note the control environment is effective in identifying breaches of this clause via mitigating detective controls. See Observation 1 in Section 3.3.

Clause	Obligation	Management Process	Procedures Performed	Results
	<p>services or other services to the customer or potential customer;</p> <p>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;</p> <p>f) the disclosure is solely for the purposes of research by a legal entity other than a RESP of the TNSP;</p> <p>g) a RESP 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> <p>h) another legal entity, other than a RESP of the TNSP, has requested the disclosure.</p>			
4.2.3 (a) - (b)	<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 RESP, 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 RESP 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>Deep Dive Training is provided to high-risk employees for information access, disclosure, and sharing.</p>	<p>Obtain Deep Dive Training provided to high-risk staff and inspect content covered to address the Guideline requirement.</p> <p>Obtain attendance lists for employees required to attend deep dive training and test compliance.</p>	<p>EY inspected the Deep Dive Training materials confirming that it covers the key issues for information access and disclosure access.</p> <p>EY identified high-risk employees who had not completed the deep dive training during the period. We inquired of management noting that the training is provided quarterly and those employees missing will still be expected to complete the training. Although not all staff had completed the training, we note the control environment is effective in identifying breaches of this clause via mitigating detective controls.</p> <p>See Observation 1 in Section 3.3.</p>

Clause	Obligation	Management Process	Procedures Performed	Results
	<p>b) A TNSP is only required by clause 4.2.3(a) to provide information to a legal entity where:</p> <p>i. the legal entity has requested that it be included on the information register in respect of information of that kind; and</p> <p>ii. the legal entity is competing, or is seeking to compete, with a RESP, in relation to the provision of contestable electricity services.</p>			
4.2.3 (c) - (d)	<p>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>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>ElectraNet information protocol provides a decision-making flowchart to identify what information could be provided about customers and the network or network services to the RESP, an affiliated entity, or a non-affiliated entity.</p>	<p>Inspect the information disclosure decision tree available to staff to determine what information can be provided.</p>	<p>EY reviewed the Information Disclosure Decision Tree to understand the information that is available to be provided.</p> <p>EY noted the decision-making tree appropriately describes the process in accordance with the Guideline.</p>
4.2.3 (e)	<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</p>	<p>The Information Register established terms and conditions for any legal entity that requested ring-fenced information.</p>	<p>Obtain and inspect the Information Register and review for specific clauses relating to disclosure.</p>	<p>EY obtained the Information Register and inspected the clauses. The clauses within agreements appropriately states <i>"All ring-fenced information provided to legal entities is subject to standard privacy and confidentiality terms and conditions. Where ElectraNet discloses information under its information-sharing protocol, the recipient is bound by the same confidentiality obligations as the Transmission Ring-Fencing Guideline, which</i></p>

Clause	Obligation	Management Process	Procedures Performed	Results
	as if the other legal entity was a TNSP.			<i>would apply if they were a transmission network service provider" as required by the Guideline.</i>
4.2.4 (a) - (d)	<p>a) A TNSP must establish, maintain and keep a register of all:</p> <p>i. related electricity service providers;</p> <p>ii. other legal entities who provide contestable electricity services but who are not affiliated entities of the TNSP;</p> <p>who request access to information identified in clause 4.2.3(a), and must make the register publicly available on its website.</p> <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> <p>i. identify the kind of information requested by the related electricity service provider or other legal entity; and</p> <p>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>	ElectraNet prepares and maintains an Information Register	Obtain the Information Register and ensure it discloses the required information.	EY obtained the Information Register noting that no information disclosures were made during the period. Management prepares the register on a quarterly basis.
		The Information Register is publicly available on ElectraNet's website.	Inspect the ElectraNet website for the Information Register.	EY inspected the Information Register on the ElectraNet website noting it is available to the public and can be provided on request.

Clause	Obligation	Management Process	Procedures Performed	Results
	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.			
4.3 (a) - (b)	A TNSP must ensure that: <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. 	ElectraNet does not have a marketing function.	Inquire with Management to understand the marketing services for the business.	EY made inquiries with Management noting there are no marketing staff involved in the provision of prescribed transmission services.
	A TNSP may apply for a waiver of the obligations set out in this clause 4.3.	Not applicable.	Inquire of any waivers of the obligations.	EY noted ElectraNet does not have any marketing staff involved in the provision of prescribed services and therefore no waivers have been requested.
4.4.1 (a) - (b)	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	Standard templates have been reviewed by Legal and are used for all contracts.	Inspect standard templates used for agreements ensuring they are compliant with the clause.	EY inspected a sample of new and varied contracts, following the commencement of the guideline noting they were compliant with the clause.
		Amendments or variations to the template are required to be reviewed and approved by the Legal team.	Inquire of Legal for amendments to the template in the period and obtain the amendments if applicable.	EY inquired of the ElectraNet Legal team noting there were no amendments to the templates during the period.

Clause	Obligation	Management Process	Procedures Performed	Results
	<p>4.3 of the Guidelines as if the service provider was the TNSP; and</p> <p>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 obligations under clause 4 of this Guideline.</p>			
5.2 (a) - (h)	<p>A TNSP may apply in writing to the AER for a waiver of its obligations under clauses 3.1, 4.3 and / or 4.4.1(a) of this Guideline, either on its own behalf or on behalf of itself and one or more other TNSPs. An application for a waiver must contain all information and materials necessary to support the TNSP's application, including:</p> <p>a) the obligation in respect of which the TNSP is applying for a waiver;</p> <p>b) the reasons why the TNSP is applying for the waiver;</p> <p>c) details of the service, or services, in relation to which the TNSP is applying for the waiver;</p> <p>d) the proposed commencement date and expiry date (if any) of the waiver and the reasons for those dates;</p>	<p>Waivers are requested in accordance with the AER.</p>	<p>Inquire of Management for any waivers requested during the period.</p> <p>Obtain the waiver register and corroborate with inquiries of management.</p>	<p>EY inquired with Management noting no waivers were applied for during the period.</p> <p>EY obtained the waiver register and corroborated our inquiries of management.</p>

Clause	Obligation	Management Process	Procedures Performed	Results
	<p>e) details of the costs associated with the TNSP complying with the obligation if the waiver of the obligation were refused;</p> <p>f) the regulatory control period(s) to which the waiver would apply;</p> <p>g) any additional measures the TNSP proposes to undertake if the waiver were granted; and</p> <p>h) the reasons why the TNSP considers the waiver should be granted with reference to the matters specified in clause 5.3.2(a), including the benefits, or likely benefits, of the grant of the waiver to electricity consumers.</p>			
5.7 (a) - (b)	<p>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>The register established under clause 5.7(a) must include:</p> <p>i. the description of the conduct to which the waiver or interim waiver applies; and</p> <p>ii. the terms and conditions of the waiver or interim waiver;</p>	<p>The Waiver Register is publicly available on the ElectraNet website and is uploaded on a quarterly basis.</p>	<p>Inspect ElectraNet website to confirm the Waiver Register is publicly available.</p>	<p>EY inspected the ElectraNet website to and confirmed the Waiver Register is publicly available, and it is uploaded on a quarterly basis.</p>
		<p>The Waiver Register is updated immediately when a new waiver is granted or when a waiver is varied by the AER.</p>	<p>Inquire with management the process for updating the register when a waiver is granted.</p>	<p>EY performed inquiries with the Regulation team noting that no waivers have been applied for or granted during the period. If a waiver was requested upon receiving the AER's decision ElectraNet will add all relevant details to the register ensuring the details are accurate.</p>

Clause	Obligation	Management Process	Procedures Performed	Results
	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			
6.2.1 (a) - (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>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 6.2.3) by</p>	The Regulation Team prepares the annual ring-fencing compliance report that is reviewed by Senior Management.	EY reviewed the prepared the ring-fencing compliance report.	EY were engaged to provide reasonable assurance on the ring-fencing compliance report and have confirmed it was submitted to the AER within 4 months of Section 6 of the Guideline.
		The annual compliance report is assessed by an independent assessor.	EY provided an assessment of compliance report in Section 2 of this report.	EY assessed ElectraNet's ring-fencing guidelines compliance against Guideline 4. Refer to Section 2 of this report for the EY independent assurance report.

Clause	Obligation	Management Process	Procedures Performed	Results
	<p>a suitable qualified independent authority.</p> <p>A TNSP annual compliance report may, in relation to clause 3.2 of this Guideline be based on information provided by the AER under a regulatory information instrument for the TNSP's most recent regulatory year. If so that annual compliance report must cover in relation to clause 3.2 of the Guideline, the entirety of that regulatory year.</p> <p>Annual compliance report may be made publicly available by the AER</p>			
6.3	<p>A TNSP must notify the AER in writing within 15 business days of becoming aware of breaches of its obligation under the Guideline, except for breaches of clause 6.2.2 or this clause 6.3 of the Guideline. The AER may seek enforcement of the Guideline by a court in the event of any breaches of the Guideline by a TNSP, in accordance with the NEL.</p>	<p>Regulation team email inbox for the purpose of queries and breaches is regularly monitored.</p>	<p>Inspect and inquire of the Regulation team regarding the inbox and process around queries.</p>	<p>EY inspected the Regulation Team inbox for breaches reported. The inbox is monitored by the Regulation Manager and all reported suspected or actual breaches of the Ring-Fencing Guideline are investigated.</p> <p>If a breach is identified the manager will ensure it is reported to the AER within 15 days of becoming aware.</p>
		<p>A Breach Register is maintained and is reported to Executive Management and the Audit and Risk Committee.</p>	<p>Inspect the breach register for any breaches identified during the year.</p> <p>Inspect minutes from Board and Audit and Risk Committee meetings.</p>	<p>No breaches of the Guideline were identified during the year.</p> <p>EY reviewed meeting minutes and noted there was no breaches noted during the period.</p>

3.3 Observations noted

Key observations resulting from our procedures are listed below giving further detail and recommendations for improvement relating to ring-fencing procedures, processes and controls.

Observation Reference	Clause Reference	Ring Fencing Obligation	Observation
1	4.2.2 & 4.2.3	A TNSP must not disclose ring-fenced information to any person, including a RESP.	<p>EY noted management provides a Ring-Fencing deep dive training to all high-risk employees. The deep dive training covers the detail of the Ring-Fencing Guideline and what employees must be aware of.</p> <p>EY selected a sample of employees to confirm their attendance at the training and noted instances whereby employees had not completed the requisite training.</p> <p>Furthermore, we noted certain employees who had not completed the deep dive training had access to IT systems containing ring-fenced information. A detective control implemented by management whereby all accessed information was reviewed against the Ring-fencing Guideline noting no instances of non-compliance.</p> <p>Notwithstanding the detective control implemented, EY recommends management implement a more robust monitoring function to ensure employees who have access to ElectraNet systems that contain ring-fenced information complete the deep dive training in a timely manner and retain evidence of attendance.</p> <p>EY also recommends management require this training to be completed by all high-risk employees on an annual basis, in a timely manner.</p> <p>Management response:</p> <p>Management acknowledges the finding regarding staff attendance at the final deep dive training session in October 2024. Of the five staff that did not attend, three staff commenced after the session had taken place. It is common operationally for new starters to join outside of scheduled training period. To address this Management proposes that all staff who commence after deep dive training session be required to complete the online awareness training as part of their on-boarding process. This will ensure they receive the necessary baseline understanding while awaiting the next deep dive session. Moving forward, timely completion will be defined as within the quarter of commencement, recognising that occasional delays may occur due to updates to the Ring-fencing Guideline.</p>
2	3.1 (d) – (e)	<p>Subject to clauses 3.1(c), (d) and (e), a TNSP may provide transmission services, but must not provide other services.</p> <p>Notwithstanding any other provision of the Guideline, a TNSP must not;</p> <p>iii. Enter into any new agreement; or</p>	<p>EY noted Management has implemented a review process for the signing and negotiation of contracts and have sighted evidence of this review taking place but would recommend that management implements further controls such as a guided workflow procedures which explicitly documents the process occurring by documenting and formalising the date and times of signoffs.</p>

Observation Reference	Clause Reference	Ring Fencing Obligation	Observation
		<p>iv. Agree to a material variation to an existing agreement</p> <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>d. Clause 3.1(b) does not prevent:</p> <p>iii. An affiliated entity of a TNSP providing other services; and</p> <p>iv. a regulated DNSP and TNSP from being the same legal entity in which case a TNSP who is also a regulated DNSP, can provide any distribution services in accordance with the Distribution Ringfencing Guideline.</p> <p>e. Clause 3.1(b) does not prevent a TNSP:</p> <p>vi. Subject to clause 3.1(c), granting another legal entity the right to use assets of the TNSP, where those assets are also used by the TNSP to provide transmission services or other services, but only where doing so does not materially prejudice the provision of prescribed transmission services by the TNSP;</p> <p>vii. Providing corporate services (such as general administration, accounting, payroll, human resources, legal or regulatory, or information technology support services) to a RESP or other legal entity;</p> <p>iii. Providing electricity information to another legal entity where doing so is not prohibited by clause 4.1(c)(iv) or clause 4.2;</p> <p>ix. 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;</p> <p>Providing any other services authorised in accordance with the waiver process set out in clause 5 of this Guideline</p>	<p>Management response:</p> <p>Management acknowledges and agrees with the observation.</p>