



Electricity Distribution Ring-fencing Annual Compliance Report

1 January 2024-31 December 2024

30 April 2025

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Overview

The Australian Energy Regulator's (AER) Ring-fencing Guideline – Electricity Distribution Version 3¹ (the Guideline) requires Distribution Network Service Providers (DNSPs) to prepare an annual Ring-fencing Compliance Report (Compliance Report). Essential Energy (ABN 37 428 185 226), as a DNSP, has prepared this Compliance Report in accordance with clause 6.2 of the Guideline for the regulatory reporting period of 1 January to 31 December 2024 (the reporting period).

Essential Energy's core business is to support regional, rural and remote communities by operating and maintaining one of Australia's largest electricity distribution networks. Essential Energy's 194,000km of power lines, covering 95 per cent of New South Wales (NSW) and parts of southern Queensland, serve more than 900,000 customers.

Essential Energy's vision is to empower communities to share and use energy for a better tomorrow by enabling energy solutions that improve life. This means maintaining a safe and reliable network as Essential Energy becomes an energy business for the future where its values inform its decisions, the way it works and how Essential Energy treats its customers and people.

The preparation of this Compliance Report is undertaken to satisfy the obligations and requirements of the Guideline which aims to:

- ▶ Promote the National Electricity Objective by requiring the accounting and functional separation of the provision of direct control services by DNSPs from the provision of other services by DNSPs or their affiliated entities
- ▶ Promote competition in the provision of electricity services.

Recognising the unique needs of regional, rural and remote NSW customers in the energy transition, Essential Energy is providing limited contestable services where:

- ▶ Functional competitive markets are absent so that regional, rural and remote customers continue to receive an adequate level of services and avoid unnecessary costs
- ▶ Network services may be more efficiently delivered through alternative approaches to network augmentation (e.g. use of energy storage services)
- ▶ Knowledge will be gained through pilots or testing of operational models to deliver services to its customers.

This Compliance Report details Essential Energy's approach to compliance including policies, processes and measures implemented and in practice during the regulatory reporting period to meet the aims and requirements of the Guideline. Further, Essential Energy continued with a program of works during 2024 to provide contestable electricity services through its Related Electricity Services Provider (RESP), Intium². This Compliance Report discusses steps undertaken under this program of works during the reporting period.

Statement of Compliance

Essential Energy has complied with the obligations set out in the Guideline for the period from 1 January to 31 December 2024 except for those breaches detailed in Section 2 of this Compliance Report.

¹ Australian Energy Regulator (AER), Ring-fencing Guideline -- Electricity Distribution Version 3, November 2021.

² Intium Pty Limited (ABN 89 664 971 313)



Annual Ring-fencing Compliance Report

Clause 6.2.1 of the Guideline and the AER's Distribution Ring-fencing Best Practice Manual³ sets out those matters and the manner in which Essential Energy is required to demonstrate compliance with the Guideline in this Compliance Report.

Specifically, the Compliance Report must identify and describe, in respect of the reporting period:

- ▶ Measures the DNSP has taken to ensure compliance with its obligations under this Guideline
- ▶ Any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP
- ▶ All other services provided by the DNSP in accordance with clause 3.1
- ▶ The purpose of all transactions between the DNSP and an affiliated entity.

In addition to the content of this Compliance Report, Essential Energy must provide an assessment of compliance with each provision of the Guideline by a suitably qualified independent authority. Essential Energy engaged KPMG to provide an independent assessment of its compliance with the Guideline.

This Compliance Report must be submitted to the AER by 30 April 2025 and be accompanied by the independent assessment report issued by KPMG. This Compliance Report may be made public by the AER and has been prepared with the expectation that such disclosure will occur.

Structure of this Compliance Report

Essential Energy has set out this Compliance Report to meet the requirements of clause 6.2.1 of the Guideline as summarised in Table 1:

Table 1: Structure of this Compliance Report

SUBJECT	DESCRIPTION	WHERE TO FIND
Measures to ensure compliance	Compliance measures undertaken during the reporting period aimed at ensuring compliance with the Guideline including challenges, risks and control improvements Summary of business changes, trials and work program to prepare for provision of contestable electricity services by Intium	Section 1 and Appendix A
Breaches	Compliance breaches of the Guideline during the reporting period	Section 2
Other Services	Other Services provided by Essential Energy	Section 3

³ AER Electricity Distribution Ring-fencing Guideline Compliance Reporting Best Practice Manual Version 3, February 2022



SUBJECT	DESCRIPTION	WHERE TO FIND
Transactions with Affiliated Entities	Details of any transactions between Essential Energy and Intium	Section 4
Independent Assessment	Essential Energy's actions in response to improvement observations during the audit of its 2023 Annual Ring-fencing Compliance Report Outcomes of the independent assessment of this Compliance Report	Section 5 and Attachment 1



1. Measures to Ensure Compliance

Clause 6.2.1(b)(i) of the Guideline requires DNSPs to report on the measures the DNSP has taken to achieve compliance with its ring-fencing obligations. Annual compliance reporting by the DNSP should explain how the compliance measures put in place address each obligation in the Guideline. In assessing the appropriateness of a DNSP's compliance measures, the AER will consider whether each obligation is addressed by:

- ▶ Preventative controls or measures designed to prevent breaches of a particular obligation in the Guideline from occurring
- ▶ Detective controls or measures designed to detect or identify breaches that have occurred in a timely manner; and
- ▶ Corrective controls or measures aimed at ensuring that timely, appropriate corrective or remedial action can be taken to address a breach once it is detected to reduce the likelihood of a breach reoccurring.

Detail with respect to the measures aimed at achieving compliance with each clause of the Guideline is provided in Appendix A.

1.1 Essential Energy Compliance Program

During 2024, Essential Energy continued its approach to achieving compliance with its ring-fencing obligations through only providing distribution and transmission services, and not providing other services except where:

- ▶ a functional competitive market is absent in regional or remote communities; or
- ▶ a specific waiver has been granted by the AER; or
- ▶ a class waiver has been granted by the AER.

Essential Energy maintains a set of ring-fencing policies and procedures, which include:

- ▶ **Ring-Fencing Policy:** this document provides guidance to Essential Energy staff on the obligations and responsibilities outlined the Guideline
- ▶ **Ring-Fencing Procedure:** this document provides guidance to Essential Energy employees on how to adhere to the Ring-Fencing Policy
- ▶ **Ring-Fencing Compliance Monitoring and Reporting Procedure:** this document outlines the processes for undertaking breach management and reporting and preparing the annual ring-fencing compliance report.

Essential Energy's ring-fencing policies and procedures form the basis for its ring-fencing compliance program and assign authorities and responsibilities to Essential Energy staff and teams. Essential Energy's measures aimed at ensuring compliance with obligations in the Guideline or waivers granted to Essential Energy are detailed in Appendix A.

During the reporting period, Essential Energy continued its change program aimed at ensuring compliance with the Guideline. This included:

- ▶ Continuing a program of work to support Intium, within the confines of the Guideline.
- ▶ Continuing to operate and learn lessons from its first network battery with leased spare capacity at Sovereign Hills under an individual waiver granted by the AER.
- ▶ Commencement of the pole top battery trial under the waiver granted by the AER in October 2022.



- ▶ Preparation for the Community Batteries for Household Solar Program Trial under the waiver granted by the AER in February 2023.
- ▶ Continuing to operate two regulated Stand-alone Power Systems (SAPS) sites.

1.2 Intium

On 13 January 2023, Essential Energy incorporated a separate legal entity, Intium Pty Ltd (Intium), to provide contestable and other electricity services to NSW regional and remote customers that Essential Energy, as a regulated DNSP, is prohibited from providing under the Guideline.

Significant investment in electrical infrastructure and services is required to support the transition to renewable energy sources and customers are seeking alternative energy solutions through the uptake of new technologies, such as electric vehicles and the increased digitisation of the energy system. To support customers in regional and rural NSW and beyond, Essential Energy took the strategic decision to establish Intium as a RESP to pursue opportunities to provide contestable and other services.

Essential Energy has a firm commitment to meeting its regulatory obligations and during the reporting period undertook a deliberate and measured approach to establish appropriate compliance controls that enable Intium to provide services whilst meeting the requirements of the Guideline.

During the reporting period, Intium entered into an agreement with a third party customer to provide connectivity to a 110MW solar farm and battery storage system in the Dubbo area. This customer has not yet been connected, and during the compliance period Intium had not entered into agreements with any other customers.

1.2.1 PROGRAM OF WORK TO DELIVER A LEGALLY AND FUNCTIONALLY SEPARATED ENTITY

In 2024, Essential Energy continued the Commercial Readiness program of work that commenced in 2023 to establish the agreements, protocols, systems and processes required to support Intium in a manner that complies with the Guideline. This included functional and information separation of Intium from Essential Energy and allocating Intium costs in a manner consistent with Essential Energy's approved Cost Allocation Methodology (CAM).

In 2023 Essential Energy:

- ▶ Registered Intium Pty Ltd, formed an Intium Board of Directors, set Delegations of Authority, and had Intium's constitution tabled in the NSW Parliament
- ▶ Established an independent and separate brand for Intium
- ▶ Completed a review of Essential Energy's CAM for fitness for purpose in context of Intium
- ▶ Deployed separate finance and procurement modules of Oracle Enterprise Resource Planning (ERP) system to enable Intium to transact in its own right and to facilitate separation of management and financial accounts
- ▶ Developed procurement terms and conditions for Intium
- ▶ Executed a shared services agreement between Intium and Essential Energy that enables Essential Energy to provide corporate services to Intium, within the confines of the Guideline.

In 2024, Essential Energy built on this by:

- ▶ Establishing separate offices for Intium in Sydney and Port Macquarie and improving physical security controls to restrict access
- ▶ Completing information separation between Essential Energy and Intium through systems separation, where required. This includes implementing an information separation remediation plan to remove



access to legacy Essential Energy emails, domains and systems other than some elements of the ERP system which Intium employees need access to, and data segregation controls. This included the rollout of new IT devices (laptops, mobile phones etc) to ex Essential Energy Intium employees to further reduce the risk of them being able to access legacy systems and data.

- ▶ Developing the processes and procedures needed to support Intium in a manner that is consistent with the obligations of the Guideline
- ▶ Establishing an Operating Protocol that describes ways of working between Essential Energy and Intium in the provision of Shared Services by Essential Energy to Intium
- ▶ Executing a Contracted Services Agreement with Intium to enable Essential Energy to provide specific project delivery services to Intium in compliance with the Guideline. The resources covered by this agreement include Electrical Technicians, Powerline Workers, Engineers, Designers, Project Managers and other frontline roles
- ▶ Establishing an Operating Protocol for Contracted Services that defines governance arrangements and ways of working between Intium and Essential Energy in the provision of project delivery services to Intium
- ▶ Implementing structured change, training and communications plans that continue to enhance employee understanding of ring-fencing requirements in the context of the Intium / Essential Energy Operating Model. In 2024, approximately 65 briefing sessions were held with Essential Energy teams to explain ways of working with Intium in compliance with the Guideline. Another 48 sessions are scheduled to be held between January and April 2025 which will focus on the implementation of Operating Protocols and embedding ways of working under the Shared Services and Contracted Services models. Briefing sessions also include Intium so that they understand their obligation not to do anything that puts Essential Energy's compliance at risk.
- ▶ Developing a briefing for Intium Directors that provides guidance on managing Ring-fencing compliance obligations as Essential Energy Executives while also serving as Directors of Intium
- ▶ Expanding and rolling out the mandatory Ring-fencing training to all employees including specific information on Intium and compliance obligations when working with Intium
- ▶ Establishing a “Working with Intium” Sharepoint site that provides reference material and documentation for all employees on Working with Intium
- ▶ Updating Essential Energy’s Ring-fencing Sharepoint site to provide information on Ring-fencing obligations and implications.
- ▶ Completing the identification and implementation of all controls required to meet the requirements of the Guideline, including those aimed at legal and functional separation between Essential Energy and its RESP.

Essential Energy’s program of work to implement controls to achieve functional separation between Essential Energy and Intium will continue until 30 June 2025, whereafter the maintenance and continued implementation of the controls will become business as usual and coordinated by the Regulatory Compliance team.

On 16 April 2024, Essential Energy submitted a Ring-fencing breach report to the AER in relation to information separation obligations between Essential Energy and Intium that were not fully met at the date when Intium first entered into a LOI to provide contestable connection services for a revenue generation. Remediation plans were completed on 30 June 2024. This breach is further discussed in Section 2.



1.3 Battery Projects

1.3.1 SOVEREIGN HILLS NETWORK BATTERY

On 4 August 2022, Essential Energy was granted a ring-fencing waiver until 4 August 2037 to lease excess capacity from its Sovereign Hills network battery located near Port Macquarie NSW. Essential Energy was granted the waiver under the AER's consideration of waiver applications for energy storage devices under a streamlined process.

The Sovereign Hills Battery is Essential Energy's first trial network battery. Developed in partnership with AGL, the 2MWh battery project was developed to respond to network need for greater capacity and power quality management in a rapidly growing area without the need for immediate upgrade to the Essential Energy network. For the trial, AGL is engaged under a revenue sharing agreement to use excess capacity from the battery to provide market services.

The battery is funded 57% through Essential Energy's regulated asset base and 43% through unregulated funding.

The battery commenced operations for testing and commissioning purposes on 1 February 2023 following the finalisation of an Orchestration Agreement between AGL and Essential Energy. Under this agreement, AGL operates and controls the battery to provide network and market services. Essential Energy provides fixed setting limits, which include active and reactive voltage settings to support the network. Essential Energy also provides a dynamic operation of setting limits for thermal control.

During the commissioning and testing phase a number of operational issues were identified and resolved which led to the battery not being fully operational until 31 July 2024.

The purpose of the battery is to provide network services. However, to maximise the value of the asset, AGL uses the spare capacity to provide Frequency Control Ancillary Services (FCAS) and arbitrage services and leases the spare storage capacity for these services - but only when it is not required for standard control services by Essential Energy. This is reflected in Figure 1 below.

Figure 1 shows the value across market and network services that the network battery captures under the agreement with AGL.

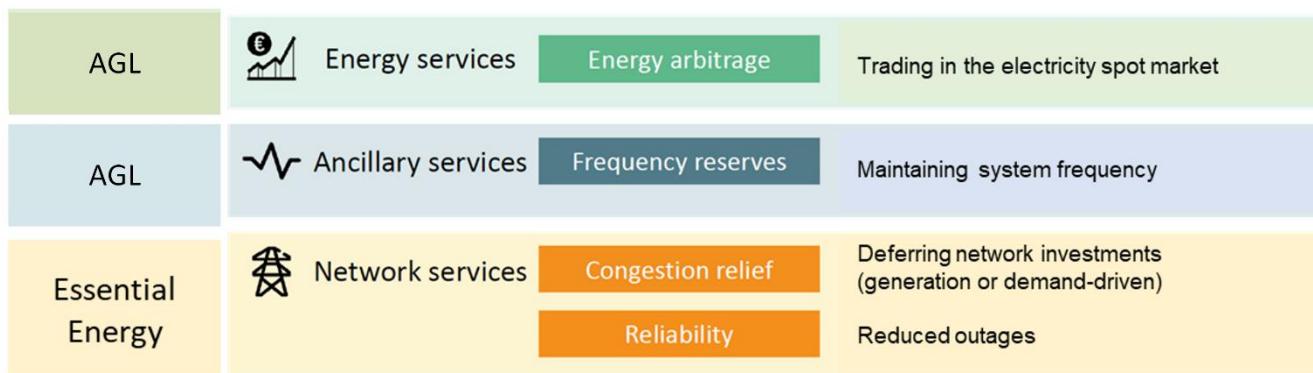


Figure 1: Value Stack of Network and Market Services Provided by the Battery

Further information on the battery operating model is provided in the 2024 Sovereign Hills Battery Annual Compliance Report, which is provided separately to this report.

The results of the battery trial to date demonstrate the battery's ability to enhance reliability and support feeder and zone substation operations during potential outage scenarios, mitigating the impact on customers, and deferring the need for network augmentation.

Detailed results and learnings of the trial for 2024 are provided in the 2024 Sovereign Hills Battery Annual Compliance Report.

1.3.2 POLE TOP BATTERY TRIAL

On 22 October 2022, Essential Energy was granted an individual waiver from clause 3.1 of the Guideline to allow it to trial the joint ownership and operation of 35 pole-top batteries with a retail partner. Essential Energy was granted the waiver under the AER's consideration of waiver applications for energy storage devices under a streamlined process.

The project is jointly funded by Essential Energy and its retail partner, Origin Energy, where Essential Energy's portion is not allocated to Essential Energy's regulated asset base. The trial will explore power quality and retail opportunities for customers in those communities.

Essential Energy finalised its commercial agreement with Origin Energy on 29 June 2023 and proceeded to procure the pole-top batteries required for the trial. The project is still in its construction and installation phase with seven pole top batteries installed in Wagga Wagga in July 2024, and a further seven installed in Armidale in December 2024. The remaining 21 pole top batteries are expected to be installed in Bathurst, Dubbo and Port Macquarie by 30 June 2025.

Under the waiver granted by the AER, Essential Energy is required to report on the usage of the batteries and the splits between Essential Energy and the retailer. Since the trial is still in the establishment and installation phase, reliable data is not yet available for reporting purposes.

1.3.3 COMMUNITY BATTERIES FOR HOUSEHOLD SOLAR PROGRAM TRIAL

On 3 February 2023, the AER granted a class waiver from clauses 3.1, 4.2.1, and 4.2.2 of the Guideline to allow DNSPs to lead community battery projects that are funded under the Australian Government's Community Batteries for Household Solar Program.

Essential Energy received grant funding as part of the Australian Government's Community Batteries for Household Solar Program for the provision and integration of batteries into the communities of Goulburn, Leeton and Maloney's Beach in NSW. Each of the Essential Energy batteries will be wholly excluded from Essential Energy's regulated asset base.

During the reporting period, community engagement and planning for the battery's utilisation in the communities, as well as procurement of the battery assets, commenced. No batteries subject to this ring-fencing waiver were fully operational during the reporting period.

1.4 Regulated Stand Alone Power Systems (SAPS)

In December 2023, Essential Energy registered two regulated SAPS in the National Electricity Market (NEM) as a first step in the utilisation of SAPS as an alternative to traditional poles and wires connections to provide reliable and cost efficient electricity supply to specific Essential Energy customers. The two SAPS were operational for the entire reporting period and serviced customers in Eurobodalla and Bulahdelah, NSW.

The Guideline allows DNSPs which are registered as Market SAPS Resource Providers (MSRPs) to provide generation services without requirements for legal separation, provided accounting separation is in place. Generation revenue may be earned by Essential Energy as a MSRP up to an annual generation cap in a regulatory year, which will be cost recovered by the AER. Essential Energy earned approximately \$640 in generation revenue from these two SAPS sites during the reporting period, well below the annual generation cap.

Essential Energy publishes a [register of its regulated SAPS](#) with information as required under the Guideline on its website.



1.5 Technical Training Services

On 13 February 2024, Essential Energy received a renewal of its waiver from clauses 4.2.1, 4.2.2, 4.2.3 and 4.2.4 of the Guideline, to allow it to continue to provide training to accredited service providers (ASPs) which is mandatory under the NSW contestable works scheme. A waiver to provide these services was originally granted in December 2017 and expired on 30 June 2024. The waiver granted by the AER on 13 February 2024, commenced 1 July 2024 and allows Essential Energy to continue to provide training service until 30 June 2029 in certain locations.

During the reporting period, Essential Energy conducted three technical training events for a total of 57 individuals in approved locations under the waiver.

As required by the waiver, in January 2025 Essential Energy submitted a report to the AER detailing the number of individuals trained under the waiver in 2024 and the locations where the training was conducted.



2. Breaches

Table 2: Ring-fencing Breaches during reporting period

OBLIGATION	DATE	DETAILS	REMEDIATION
4.2.1 4.2.2 4.2.3 4.2.4 4.4.1(a)	Reporting period 1 January to 31 December 2024 Breach start date 1 July 2019 Breach end date Ongoing Breach reported to AER 11 July 2019	<p>Type 1-4 Metering breach</p> <p><u>Nature of breach</u></p> <p>In preparation for the commencement of ring-fencing on 1 January 2018, Essential Energy put steps in place to withdraw from the contestable metering services market. As all remaining installations where contestable metering services were provided were unlikely to transfer away by 1 January 2018, Essential Energy received a ring-fencing waiver allowing it to continue to provide contestable metering services until it could completely exit the market. The waiver application was approved by the AER on 18 December 2017 and expired 1 July 2019.</p> <p>The number of sites where Essential Energy provides contestable metering services has reduced to four (4) in December 2024.</p> <p>These legacy sites did not transfer to other service providers, and Essential Energy has continued to provide metering services for these sites.</p> <p>The four remaining sites require action from either the customer or the retailer, and Essential Energy continues to progress these.</p> <p><u>Cause of breach</u></p> <p>Essential Energy relies on a Metering Coordinator for each of these metering installations to appoint new service providers to the roles of Metering Provider and Meter Data Provider. Whilst Essential Energy is assigned these roles, it must continue to provide services as required under the National Electricity Rules. Essential Energy continues to request Retailers have their Metering Coordinators assign new providers to these roles but to date these requests have not been acted upon.</p> <p><u>Method of identification</u></p> <p>This breach was identified by internal Essential Energy staff.</p> <p><u>Impact of breach</u></p>	<p>At the end of the reporting period, four sites remained under Essential Energy's metering service provision.</p> <p>In prior years Essential Energy has contacted the retailers for these sites multiple times advising that it can no longer provide contestable metering services and requesting Metering Coordinators affiliated with those Retailers appoint alternate providers.</p> <p>Essential Energy reports the number of sites where it continues to provide metering services to the AER every 6 months.</p> <p>Essential Energy continues to encourage the AER to support its efforts to resolve this matter with Retailers.</p>



OBLIGATION	DATE	DETAILS	REMEDIATION
		<p>There is minimal impact on customers and the contestable market as a result of this breach due to:</p> <ul style="list-style-type: none"> ▶ the small number of sites (4) where these services are provided ▶ Essential Energy's ongoing efforts to cease providing contestable metering services through seeking to have the sites transferred. 	
4.1(b) 4.1(c) 4.3.1 4.3.2	Reporting period 1 January to 31 December 2024 Breach start date 25 March 2024 Breach end date 30 June 2024 Breach reported to AER 16 April 2024	<p>Information Separation between Essential Energy and Intium</p> <p><u>Nature of breach</u></p> <p>On 25 March 2024, Intium entered into a Letter of Intent (LOI) to provide contestable connection services for a renewable generator. At the time the LOI was executed, Essential Energy and Intium had not achieved full separation of their information, as required under clauses 4.1(b), 4.1(c), 4.3.1 and 4.3.2 of the Ring-fencing Guideline.</p> <p><u>Cause of breach</u></p> <p>As at 25 March 2024, Essential Energy and Intium's IT systems and data were not fully functionally separated. Therefore, the first five Intium personnel still had access to some Essential Energy information and data, such as SharePoint and email.</p> <p><u>Method of Identification</u></p> <p>This breach was identified by Essential Energy staff as soon as they became aware that the LOI had been entered into.</p> <p><u>Impact of breach</u></p> <p>The breach meant that the five Intium employees continued to have access to Essential Energy information, including SharePoint and emails by virtue of their former roles in Essential Energy.</p> <p>It is possible that this could have allowed them to access ring-fenced or electricity information.</p> <p>Apart from this, there was no impact on other customers and the contestable market. Essential Energy is of the view that Intium did not gain any competitive advantage as a result of the breach,</p>	<p>Intium personnel were immediately advised not to utilise any residual access to Essential Energy information to support Intium activities.</p> <p>Essential Energy reported the breach to the AER on 16 April 2024 and provided a remediation plan with corrective measures to achieve full information separation by 30 June 2024.</p> <p>The remediation plan was fully implemented by 30 June 2024, and the AER were notified as such.</p>



OBLIGATION	DATE	DETAILS	REMEDIATION
		<p>and that no competitors or customers were disadvantaged.</p>	
5.7	<p>Reporting period 1 January to 31 December 2024</p> <p>Breach start date 14 December 2022</p> <p>Breach end date 16 February 2024</p> <p>Breach reported to AER 15 February 2024</p>	<p>Inclusion of Class Waivers in Waiver Register</p> <p><u>Nature of breach</u></p> <p>Essential Energy identified that it did not list in its waiver register published in accordance with clause 5.7 of the Guideline Class Waivers granted by the AER to all DNSPs, particularly where Essential Energy was not providing services allowed under that waiver.</p> <p><u>Cause of breach</u></p> <p>Essential Energy understood the requirement of the waiver register was to list waivers granted solely to it as a DNSP and not those waivers granted to all DNSPs, particularly when some class waivers will not be utilised by Essential Energy.</p> <p><u>Method of identification</u></p> <p>This breach was identified by internal Essential Energy staff.</p> <p><u>Impact of breach</u></p> <p>There is minimal impact on customers and the contestable market as a result of this breach due to:</p> <ul style="list-style-type: none"> ▶ One class waiver being granted to all DNSPs will not be used Essential Energy ▶ One class waiver being granted to all DNSPs were part of a public Commonwealth grant announcement which was known to the competitive market. 	<p>Essential Energy added all available class waivers to its waiver register on 16 February 2024.</p>



3. Other Services

Clause 3.1 of the Guideline sets out the specific circumstances under which a DNSP can provide other services without breaching the Guideline. In accordance with clause 6.2.1(b)iii of the Guideline these services must be reported upon in this report.

Essential Energy provided the following other services in accordance with the AER's Shared Asset Guideline:

- ▶ **Fibre Optic:** access to fibre optic cable for telecommunication purposes
- ▶ **NBN:** access to electricity poles for installation of fibre optic cable for telecommunication purposes
- ▶ **Rental:** property leasing and tower access to enable a third party to install radio frequency equipment for use in telecommunications equipment.

In addition to the above services provided by Essential Energy, its provision of other services is subject to the conditions of any waivers granted by the AER, including the waivers in effect during the reporting period. Those waivers utilised by Essential Energy are detailed in Table 3.

Table 3: Ring-fencing Waivers in effect during reporting period

OBLIGATION WAIVED	EXPIRY DATE	DETAILS OF WAIVER
3.1, 4.2.1 4.2.2, 4.2.3 4.2.4, 4.4.1(a)	30 June 2024	Clarence Valley water services Essential Energy was granted a waiver to allow it to continue its water licence in its maintenance cost sharing arrangement between Essential Energy and the Clarence Valley Council. In February 2022, Essential Energy informed the AER that it no longer provided this service. The waiver was in place until it lapsed on 30 June 2024 and Essential Energy did not apply to extend this waiver beyond its expiry date.
3.1, 4.2.1 4.2.2, 4.2.3 4.2.4, 4.4.1(a)	30 June 2029	Essential Water services Essential Energy holds a waiver from its obligations to allow it to continue to own and operate Essential Water, a water supply authority providing water, sewage, liquid trade waste and other miscellaneous services in the far west of NSW.
4.2.1, 4.2.2, 4.2.3 4.2.4	30 June 2024	Contestable technical training services Essential Energy holds a waiver from its obligations to allow it to continue to provide Accredited Service Provider (ASP) Initial and Refresher Training, Work Near Overhead Powerlines (WNP) Initial and Refresher Training, and Safe Work Practices Initial and Refresher Training to Accredited Service Providers on a limited basis and in the following locations: Albury, Armidale, Ballina, Bathurst, Bendigo, Bingara, Blayney, Braidwood, Broadwater, Broken Hill, Bulahdelah, Buronga, Cobar, Cobram, Coffs Harbour, Condon, Corowa, Culcairn, Deniliquin, Dubbo, Eden, Echuca, Ewingsdale, Glenn Innes, Goulburn, Goondiwindi, Grafton, Griffith, Harwood, Hay, Holbrook, Inglewood, Inverell, Kempsey, Leeton, Lismore, Marulan, Mittagong, Moree, Moruya, Mulwala, Murwillumbah, Nambucca Heads, Narrabri, Orange, Parkes, Queanbeyan, Swan Hill, Tamworth,



OBLIGATION WAIVED	EXPIRY DATE	DETAILS OF WAIVER
		Taree, Temora, Tweed Heads, Uki, Wagga Wagga, Walcha, Warialda, Wodonga, and Young.
4.2.1, 4.2.2, 4.2.3 4.2.4	30 June 2029 (commenced 1 July 2024)	<p>Contestable technical training services</p> <p>Essential Energy holds a waiver from its obligations to allow it to continue to provide Accredited Service Provider (ASP) Initial and Refresher Training, Work Near Overhead Powerlines (WNP) Initial and Refresher Training, and Safe Work Practices Initial and Refresher Training to Accredited Service Providers on a limited basis and in the following locations: Albury, Armidale, Ballina, Bathurst, Bendigo, Bingara, Blayney, Braidwood, Broadwater, Broken Hill, Bulahdelah, Buronga, Cobar, Cobram, Coffs Harbour, Condon, Corowa, Culcairn, Deniliquin, Dubbo, Eden, Echuca, Ewingsdale, Glenn Innes, Goulburn, Goondiwindi, Grafton, Griffith, Harwood, Hay, Holbrook, Inglewood, Inverell, Kempsey, Leeton, Lismore, Marulan, Mittagong, Moree, Moruya, Mulwala, Murwillumbah, Nambucca Heads, Narrabri, Orange, Parkes, Queanbeyan, Swan Hill, Tamworth, Taree, Temora, Tweed Heads, Uki, Wagga Wagga, Walcha, Warialda, Wodonga, and Young.</p>
3.1	4 August 2037	<p>Sovereign Hills Battery Waiver</p> <p>Essential Energy was granted a waiver to allow it to lease spare capacity from its Battery Energy Storage System located at Sovereign Hills.</p>
3.1	30 June 2037	<p>Pole-top Battery Trial Waiver</p> <p>Essential Energy was granted a waiver to allow it to install, own and operate 35 pole-top batteries jointly with a retail partner. 14 of these batteries were installed in 2024, with the remainder expected to be installed by 30 June 2025.</p>
3.1, 4.2.1 4.2.2	20 June 2041	<p>Australian Government Community Battery for Household Solar Program Class Waiver</p> <p>Allows DNSP-led battery projects where battery assets are funded by grants programs administered by the Commonwealth Government where the assets are either wholly excluded from the Regulated Asset Base (RAB) or partially allocated to the RAB.</p>



4. Transactions with Affiliated Entities

Under clause 6.2.1(b)(iv) of the Guideline, DNSPs must report on the purpose of any transactions between the DNSP and an affiliated entity.

Table 4: Transactions between Essential Energy and affiliated entities

AFFILIATED ENTITY	PURPOSE OF TRANSACTION	NATURE AND STATUS OF TRANSACTION
Intium Pty Ltd	Intercompany Loan Agreement	<p>As required by Division 6 of the <i>Government Sector Finance Act 2018 (NSW)</i>, the NSW Treasurer granted approval for Essential Energy to provide unregulated funding to Intium of up to \$200M on 1 September 2023.</p> <p>An intercompany loan agreement between Essential Energy and Intium, in the amount of up to \$200M, was executed on 28 November 2023 as a single loan.</p>
Intium Pty Ltd	Provision of Corporate Services	<p>Essential Energy entered into a Shared Services Agreement on 19 December 2023 to provide corporate services to Intium which includes, for example, general administration, IT support services, accounting, procurement, human resources, payroll, and legal and regulatory services.</p> <p>Fees are payable by Intium to Essential Energy monthly in accordance with Essential Energy's approved CAM on a full pass-through basis or, in the event that the relevant fee is not covered in the CAM, by applying an equivalent cost-reflective rate.</p>
Intium Pty Ltd	Provision of Contracted Services	<p>Essential Energy entered into a Contracted Services Agreement on 28 October 2024 to provide contracted services to Intium. The agreement means that Essential Energy can provide specific project delivery services to Intium on a contracted basis.</p> <p>The Essential Energy resources covered under this Agreement are those that provide services for the design, construction, operation, maintenance and project management of infrastructure projects. These include, for example, Electrical Technicians, Powerline Workers, Engineers, Designers, and Project Managers. Fees are payable by Intium to Essential Energy monthly in accordance with Essential Energy's approved CAM on a full pass-through basis (direct costed). The rates used for direct costing are the Ancillary Network Service (ANS) approved by the AER.</p> <p>The practical application of the Contracted Services Agreement is described in a Contracted Services Operating Protocol which is referenced in the Contracted Services Agreement. The Operating Protocol includes details of key activities that should be undertaken by who and when (in the provision of Contracted Services), roles and responsibilities, resulting in parties having a shared understanding of who is responsible for what and when, processes for the resolution of</p>



AFFILIATED ENTITY	PURPOSE OF TRANSACTION	NATURE AND STATUS OF TRANSACTION
		issues between the parties, and governance requirements (including ring-fencing obligations and controls) to help maintain high standards of work quality and performance.



5. Independent Assessment

Clause 6.2.1(c) of the Guideline requires Essential Energy's Compliance Report to be accompanied by an assessment of compliance with the Guideline by a suitably qualified independent authority.

Essential Energy engaged KPMG to undertake an independent assessment of its compliance against the Guideline requirements. The audit covers the period from 1 January to 31 December 2024. This assessment is provided as Attachment 1 to this report.



Appendix A: Compliance Measures

Strategic approach to ring-fencing compliance (preventative control)

Essential Energy recognises the unique needs of regional, rural and remote NSW customers and, in its own right, only provides contestable services in limited circumstances where:

- ▶ Functional competitive markets are absent, so that regional, rural and remote customers continue to receive an adequate level of services and avoid unnecessary costs
- ▶ Network services may be more efficiently delivered through alternative approaches to network augmentation (e.g. use of energy storage services)
- ▶ A waiver from the AER has been granted to Essential Energy to provide the other service
- ▶ A class waiver has been granted by the AER.

While Essential Energy's strategic approach to ring-fencing compliance is not strictly a control, it is a measure that helps to achieve compliance with ring-fencing obligations by preventing the provision of other services.

RING-FENCING OBLIGATION	COMPLIANCE MEASURES
Legal Separation	
3.1(a) A DNSP must be a legal entity	Separate legal entity by statute (preventative control) Essential Energy is a New South Wales statutory State Owned Corporation under the State Owned Corporations Act 1989. ABN: 37 428 185 226. Intium was registered as a separate legal entity on 13 January 2023. ABN 89 664 971 313.
3.1(b) Subject to this clause 3.1, a DNSP may provide distribution services and transmission services, but must not provide other services.	Waivers and waiver register (preventative control) Essential Energy has identified other services that it should provide for the benefit of its customers due to: <ul style="list-style-type: none">▶ a lack of a competitive market to provide those services



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
	<p data-bbox="853 198 2077 373">COMPLIANCE MEASURES</p> <ul style="list-style-type: none"> ▶ network services may be more efficiently delivered through alternative approaches to network augmentation ▶ knowledge will be gained through pilots or testing of operational models; and ▶ whether an exemption applies (e.g. a regional office exemption). <p data-bbox="853 389 2077 563">Where exemptions do not apply, Essential Energy will apply for a waiver from the AER in order to provide other services and maintain compliance with the Guideline. Waiver applications are the responsibility of the Compliance team. The Compliance team also maintains the waiver register that is used internally in Essential Energy to inform business managers of the types of other services they are allowed to provide.</p> <p data-bbox="853 579 1493 611">Classification of Services (preventative control)</p> <p data-bbox="853 627 2100 786">In 2024 the AER approved Classification of Services for DNSPs in NSW and the ACT, as part of their Regulatory Determination for the 2024-29 Regulatory Period. The Classification of Services identifies the distribution services that regulated DNSPs can provide, and the classification of those services.</p> <p data-bbox="853 801 1493 833">Approval of new services (preventative control)</p> <p data-bbox="853 849 2077 992">Essential Energy has Commercial and Future Network teams which look at new services. Part of their process during the feasibility stage is to engage the Regulatory Compliance team to explore any regulatory issues, including ring-fencing, which need to be considered and addressed prior to rolling out any new service.</p> <p data-bbox="853 1008 1471 1040">Training and awareness (preventative control)</p> <p data-bbox="853 1056 2100 1214">All staff are required to undergo training on Essential Energy's ring-fencing obligations. The training provides staff awareness and knowledge that Essential Energy does not provide other services unless an AER waiver has been granted or an exemption exists. Training is delivered via Essential Energy's online training system and completion by staff is recorded and monitored.</p> <p data-bbox="853 1230 2055 1333">All new employees to Essential Energy complete Ring-fencing training as part of their induction training package. Annual refresher training is also delivered to all staff to maintain the required awareness and knowledge among staff. In 2024 a "Working with Intium" Sharepoint site was</p>



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
	<p>established that provides detail on how Essential Energy interacts with Intium. In addition, the Ring-fencing Sharepoint site and training module were updated to provide more detail on how Essential Energy works with Intium.</p> <p>Approximately 65 briefing sessions were held in 2024 with Essential Energy teams on how to work with Intium. A further 48 sessions are planned for the first half of 2025, so that almost all impacted employees have been briefed on how Essential Energy works with Intium, within the confines of the Ring-fencing Guideline.</p> <p>Reporting of Potential Ring-fencing breaches (detective control)</p> <p>The Ring-fencing training includes information on how Essential Energy employees can report potential breaches to Essential Energy's Compliance team. Essential Energy employees can report potential breaches by emailing the Compliance team, or field employees can use functionality in the Field Portal. When a potential breach is reported, the Compliance team immediately investigates the incident to determine if the breach is reportable to the AER within the 15 business day deadline.</p> <p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p> <p>Financial results review (detective control)</p> <p>Financial results are reviewed by Management and the Finance team monthly, including revenue results and the allocation of costs to Intium. This assists in allocating costs as per the approved CAM and identifies any unexpected revenues or costs.</p>

Establish and maintain accounts



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
<p>3.2.1(a) A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.</p>	<p>ERP separation (preventative control) Essential Energy has separated finance modules in its Oracle Enterprise Resource Planning (ERP) system to achieve accounting separation between contestable and regulated services.</p> <p>Shared services agreement (preventative control) Shared services agreement between Intium and Essential Energy identifies how fees are paid by Intium to Essential Energy in accordance with Essential Energy's CAM on a full pass-through basis or, in the event that the relevant fee is not covered in the CAM, by applying an equivalent cost-reflective rate.</p> <p>Contracted Services Agreement (preventative control) The Contracted Services agreement between Essential Energy and Intium identifies how fees are paid by Intium to Essential Energy in accordance with Essential Energy's CAM on a full pass-through basis (direct costed). The rates used for direct costing are the Ancillary Network Service (ANS) approved by the AER.</p> <p>Financial results review (detective control) Financial results are reviewed by Management and the Finance team monthly, and variances from expected or budgeted outcomes. This can assist in detecting breaches where revenues or costs are unexplained or vary significantly from what is expected.</p>
<p>3.2.2(a) A DNSP must allocate or attribute costs (including costs allocated or attributed to the DNSP by a parent entity) to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services.</p>	<p>Accounting codes for distribution and non-distribution services (preventative control) Essential Energy maintains a chart of accounts in its accounting system that distinguishes distribution and non-distribution services based on the business unit that provides those services. This prevents confusing transactions between distribution and non-distribution services when the Finance team attributes expenditure and revenue to various accounts. The Finance team attributes expenditure and revenue to distribution services and non-distribution services in a manner that is consistent with the CAM, which informs the compilation of monthly management accounts.</p> <p>ERP separation (preventative control)</p>



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
<p>3.2.2(b) A DNSP must only allocate or attribute costs to distribution services in accordance with clause 3.2.2(a) and must not allocate or attribute other costs to the distribution services it provides.</p>	<p>Essential Energy has separate finance modules in its Oracle Enterprise Resource Planning system to achieve accounting separation between contestable and regulated services.</p> <p>Shared services agreement (preventative control)</p> <p>Shared services agreement between Intium and Essential Energy identifies how fees are paid by Intium to Essential Energy in accordance with Essential Energy's CAM on a full pass-through basis or, in the event that the relevant fee is not covered in the CAM, by applying an equivalent cost-reflective rate.</p> <p>Contracted Services Agreement (preventative control)</p> <p>The Contracted Services agreement between Essential Energy and Intium identifies how fees are paid by Intium to Essential Energy in accordance with Essential Energy's CAM on a full pass-through basis (direct costed). The rates used for direct costing are the Ancillary Network Service (ANS) approved by the AER.</p> <p>Financial results review (detective control)</p> <p>Essential Energy maintains and applies its current CAM so that costs are allocated to non-distribution services (e.g. Essential Water) in accordance with the CAM. Management accounts are reviewed on a monthly basis by managers and variances from expectations investigated. This process can assist in detecting allocation of expenditure and revenues that are inconsistent with the CAM.</p>
<p>3.2.2(c) A DNSP must establish, maintain and keep records that demonstrate how it meets the obligations in clauses 3.2.2(a) and 3.2.2(b) and must not allocate or attribute other costs to the distribution services it provides.</p>	<p>ERP separation (preventative control)</p> <p>Essential Energy has separated finance modules in its Oracle Enterprise Resource Planning system to achieve accounting separation between contestable and regulated services.</p> <p>Reviewing and maintaining accounting records (detective control)</p> <p>The Finance team maintains accounting and financial records as part of its core function. These records have been reviewed and approved by managers in the Finance team to check that they are correct prior to being archived. The review and approval process also includes consideration of whether costs have been allocated to distribution services correctly, and that costs for other services have not been allocated to distribution services.</p>



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
	<p>Financial Audit (detective control)</p> <p>Each year, Essential Energy engages an independent third party auditor to review its accounting and financial results. The audit includes a detailed review of the allocation of costs between distribution and non-distribution services to check for consistency with the CAM.</p>
Obligation to not discriminate	
<p>4.1(b)</p> <p>A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <ul style="list-style-type: none"> i direct control services by the DNSP (whether to itself or to any other level entity); and/or ii contestable electricity services by any other legal entity. 	<p>Training and awareness (preventative control)</p> <p>All staff are required to undergo training on Essential Energy's ring-fencing obligations. The training provides staff awareness and knowledge that Essential Energy does not provide other services unless an AER waiver has been granted or an exemption exists and explains the obligations that Essential Energy has with regards to Intium. Training is delivered via Essential Energy's online training system and completion by staff is monitored.</p> <p>Contracted Services Agreement (preventative control)</p> <p>The Contracted Services agreement between Essential Energy and Intium describes the terms and conditions under which Essential Energy provides project delivery services provided to Intium. This agreement clearly shows that Essential Energy will not discriminate in favour of Intium when it provides connectivity or other services to them.</p>
<p>4.1(c)</p> <p>Without limiting its scope, clause 4.1(b) requires a DNSP to:</p> <ul style="list-style-type: none"> i in dealing or offering to deal with a related electricity service provider, treat the related electricity service provider as if it were not a related electricity service provider (that is, as if it had no connection or affiliation with the DNSP); ii in like circumstances, deal or offer to deal with a related electricity service 	<p>Contracted Services Protocol (preventative control)</p> <p>The Contracted Services Protocol describes how Essential Energy and Intium will interact in the provision of Contracted Services provided by Essential Energy to Intium. This includes adherence to the Ring-fencing Guideline principles of not discriminating in favour of its RESP, not sharing electricity or other ring-fenced information, and not cross-subsidising services provided by the DNSP to its RESP.</p> <p>Shared services agreement (preventative control)</p> <p>The Shared services agreement between Intium and Essential Energy details the terms and conditions that apply in the provision of shared services to Intium.</p> <p>Shared Services Protocol (preventative control)</p>



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
<p>provider and a competitor (or potential competitor) of the related electricity service provider on substantially the same terms and conditions;</p> <p>iii in like circumstances, provide substantially the same quality, reliability and timeliness of service to a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider;</p> <p>iv subject to clause 4.3.3(b), not disclose to a related electricity service provider information the DNSP has obtained through its dealings with a competitor (or potential competitor) or 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>Essential Energy has established a shared services protocol that describes the services that may be provided to Intium under the Shared Service Agreement, the roles, responsibilities, governance and processes for doing so, and how Essential Energy maintains compliance with the Ring-fencing Guideline in providing these services.</p> <p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p> <p>Ring-fencing Sharepoint site (preventative control)</p> <p>Essential Energy has established a Ring-fencing Sharepoint site that provides employees with information on Ring-fencing obligations and the implications for Essential Energy. This site was updated in October 2024 to reflect information on the implications of the establishment of Intium.</p> <p>Advice provided to Directors and Senior Managers (preventative control)</p> <p>In 2024 Essential Energy provided advice to Intium Directors and Senior Managers about the obligations of the Guideline and the implications for Directors and Senior Managers.</p>
<p>4.1(d)</p> <p>A DNSP must not discriminate (either directly or indirectly) between two legal entities, in connection with the supply of contestable electricity services by those legal entities, on the basis of the use by one or both of those legal entities of assets owned, operated or otherwise</p>	



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
controlled (in whole or in part) by the DNSP.	
Offices, staff, branding and promotions	
<p>4.2.1(a) Subject to this clause 4.2.1, in providing direct control services, a DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.</p>	<p>Regional office analysis (preventative control) Essential Energy analyses its regional office locations and numbers of connection points on a quarterly basis to determine whether each office qualifies for the regional office exemption to ensure the regional office register is accurate and up to date.</p> <p>Office register (preventative control) Essential Energy maintains an office register that is used by business units as a reference for offices that qualify for the regional office exemption and assists with complying with clause 4.2.1(a) of the Guideline. This register is checked and updated by the Compliance team on a quarterly basis and published on Essential Energy's website.</p> <p>Intium Offices established in Sydney and Port Macquarie (preventative control) In April and June 2024, Intium established its own offices in Sydney and Port Macquarie, separate from Essential Energy offices. Following this, Intium employee access to Essential Energy offices was removed, ensuring a clear distinction between the two entities. Essential Energy continues to conduct regular reviews of employee access rights to maintain security protocols. Before Intium set up their own offices, Intium employees were provided with a designated room on the ground floor of Essential Energy's Port Macquarie Buller Street office. This room was outside the controlled area and allowed access to kitchen and bathroom facilities, but not to the main office. Intium staff also had access to a dedicated room at the Port Macquarie depot prior to the establishment of their own office. Again, they had access to kitchen and bathroom facilities, but not the main depot. Intium employees did not have access to Essential Energy's Sydney office before the Intium office in Sydney was established.</p> <p>Training and awareness (preventative control)</p>



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
	<p>All staff are required to undergo training on Essential Energy's ring-fencing obligations. The training provides staff awareness and knowledge that Essential Energy does not provide other services unless an AER waiver has been granted or an exemption exists. Training is delivered via Essential Energy's online training system and completion by staff is recorded and monitored.</p> <p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p> <p>Periodic Reviews of Employees Physical Access Rights (preventative control)</p> <p>Essential Energy conducts access reviews on a periodic basis for both Essential Energy and Intium employees.</p>
4.2.2(a) Subject to this clause 4.2.2, a DNSP must ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.	<p>Shared services agreement (preventative control)</p> <p>Agreement between Intium and Essential Energy that defines corporate services that may be provided by Essential Energy to Intium including general administration, human resources, payroll, and legal and regulatory services.</p> <p>Staff register (preventative control)</p> <p>Essential Energy maintains a staff register that is used by business units as a reference for staff that can be utilised for providing direct control services and other services and assists with complying with clause 4.2.2(a) of the Guideline. This register is checked and updated by the Compliance team on a quarterly basis and published on Essential Energy's website. This process includes a review of Intium employee's physical location.</p> <p>Training and awareness (preventative control)</p> <p>All staff are required to undergo training on Essential Energy's ring-fencing obligations. The training provides staff awareness and knowledge that Essential Energy does not provide other services</p>

RING-FENCING OBLIGATION	COMPLIANCE MEASURES
	<p>unless an AER waiver has been granted or an exemption exists. Training is delivered via Essential Energy's online training system and completion by staff is recorded and monitored.</p> <p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p> <p>Physical security controls documented for seconded employees (preventative control)</p> <p>Onboarding and offboarding processes for secondees include appropriate physical access controls.</p> <p>Physical Access Controls documented (preventative control)</p> <p>The physical security controls for Essential Energy and Intium employees are documented in the Physical Security Framework CECP7029 and the Access Management and Control Company Procedure CEOP7029.11. This includes the onboarding and offboarding processes and processes for secondees. This policy was approved in January 2025.</p>
4.2.2(c) The remuneration, incentives and other benefits (financial or otherwise) a DNSP provides to a member of its staff must not give the member of staff an incentive to act in manner that is contrary to the DNSP's obligations under this Guideline.	<p>Employee performance measures (preventative control)</p> <p>Essential Energy applies a standard set of behavioural employee performance measures across all employees that align to the company strategy and its vision, purpose and values, which is to comply with not only the Guideline but all regulatory obligations. The performance measures are reviewed and approved by senior levels of Management and applied to all employees.</p> <p>Corporate scorecard (detective control)</p> <p>The company maintains a corporate scorecard to track business performance against Board agreed metrics, including tracking compliance with regulatory and legal requirements. Monthly reporting by management on performance on the compliance element in the scorecard assists in detecting breaches by requiring the identification and reporting of breaches within the business.</p>



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
	<p>Performance against the scorecard is factored into employee remuneration and short term incentives.</p>
<p>4.2.3(a) A DNSP:</p> <ul style="list-style-type: none"> i. must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related electricity service provider are related; ii. must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross advertisement or cross-promotion); iii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself. 	<p>Separate branding for Essential Energy from affiliated entities (preventative control)</p> <p>Essential Energy has independent branding for the provision of direct control services from branding to be used for the provision of other or contestable electricity services via its affiliate, Intium.</p> <p>In 2024 Intium established an independent brand and website, and recruited an independent Marketing Director.</p> <p>Regional office analysis (preventative control)</p> <p>Each quarter Essential Energy undertakes an analysis of its regional offices to determine whether each office qualifies for the regional office exemption.</p> <p>Office register (preventative control)</p> <p>Essential Energy maintains an office register that is used by business units as a reference for offices that qualify for the regional office exemption and assists with complying with clause 4.2.3(a) of the Guideline. This register is checked and updated by the Compliance team on a quarterly basis and published on the Essential Energy website.</p> <p>Training and awareness (preventative control)</p> <p>All staff are required to undergo annual refresher training on Essential Energy's ring-fencing obligations. The training covers all Essential Energy's ring-fencing obligations, including those related to Intium. Training is delivered via Essential Energy's online training system and completion by staff is recorded and monitored.</p> <p>Social Media Guidelines (preventative control)</p> <p>Essential Energy has developed social media guidelines which include guidance about the acceptable use of social media now that Intium has been established. The Social Media Company Procedure CEOP2190 is expected to be updated with this guidance in April 2025.</p>



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
	<p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>
<p>4.2.4(a) A DNSP must establish, maintain and keep a register that identifies:</p> <ul style="list-style-type: none"> i. the classes of offices to which it has not applied clause 4.2.1(a) by reason of clauses 4.2.1(b)i. or 4.2.1(b)iii.; ii. the staff positions (including a description of the roles, functions and duties) of those staff positions to which it has not applied clause 4.2.2(a) by reason of clauses 4.2.2(b)i.a, 4.2.2(b)i.b, 4.2.2(b)iii. or 4.2.2(d); iii. the staff positions referred to in clause 4.2.4(a)ii, which are held, or have been held within the previous three months, by a member of staff whose access to electricity information ceased upon, or in the 12 months prior to, commencing in that position, and the dates on which that member of staff commenced to hold and (if applicable) ceased to hold that position. 	<p>Office register (preventative control)</p> <p>Essential Energy maintains an office register that is used by business units as a reference for offices that qualify for the regional office exemption and assists with complying with clause 4.2.3(a) of the Guideline. This register is updated by the Compliance team on a quarterly basis and published on the Essential Energy website.</p> <p>Staff register (preventative control)</p> <p>Essential Energy maintains a staff register that is used by business units as a reference for staff that can be utilised for providing direct control services and other services and assists with complying with clause 4.2.2(a) of the Guideline. This register updated by the Compliance team on a quarterly basis and published on Essential Energy's website. As an input to this, Essential Energy captures information on employees who have provided contracted services to Intium each quarter.</p> <p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
<p>4.2.4(b) No later than 15 January, 15 April, 15 July, and 15 October each year, a DNSP must publish, on its website, an updated version of each of the registers referred to in clause 4.2.4(a). The DNSP must ensure that the information published in each updated version is current to the end of the calendar month that is immediately prior to the required publication date for that updated version under this clause 4.2.4(b).</p>	
<p>Information access and disclosure</p>	
<p>4.3.1 Subject to this clause 4.3, a DNSP must:</p> <ul style="list-style-type: none"> (a) keep ring-fenced information confidential; and (b) only use ring-fenced information for the purpose for which it was acquired or generated. 	<p>IT restrictions on information access (preventative control)</p> <p>Essential Energy maintains ring-fenced and other confidential information on secure IT systems, where employees have individual username and passwords for access. Employees are granted access to ring-fenced information where there is a need based on their role and where it is appropriate for them to have access. These secured IT systems and access management aim to ensure that ring-fenced information is kept confidential.</p> <p>In June 2024, Essential Energy completed implementation of a remediation plan for the information separation between Essential Energy and its RESP. This includes removal of access to legacy Essential Energy emails, domains and systems other than some elements of the ERP system which Intium employees need access to, and data segregation controls. This included the rollout of new IT devices (laptops, mobile phones etc) to Intium employees to further reduce the risk of them being able to access legacy systems and data.</p> <p>Essential Energy's Digital Services team have received specific briefings on the Guideline's Information Separation requirements.</p>



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
	<p>An Intium IT Roadmap, which includes the requirements of Ring-fencing as they pertain to Intium's interactions with Essential Energy, has been developed and is in the process of being rolled out.</p> <p>Training and awareness (preventative control)</p> <p>All staff are required to undergo annual refresher training on Essential Energy's ring-fencing obligations. The training includes guidance about information separation requirements between Essential Energy and its RESP. Training is delivered via Essential Energy's online training system and completion by staff is recorded and monitored.</p> <p>All staff are required to undertake induction and annual cyber safety training so that staff are well informed and skilled in practices to appropriately protect and handle protected information and data within Essential Energy systems, including ring-fenced information. Training is delivered via Essential Energy's online training system and completion by staff is recorded and monitored.</p> <p>In addition to participating in the all-employee training, the Digital Services team have received specific briefings on Ring-fencing obligations and the implications for information separation.</p> <p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>
4.3.2 A DNSP must not disclose ring-fenced information to any person, including a related electricity service provider, unless: (a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the ring-fenced information relates;	<p>Information Sharing Register (detective control)</p> <p>Essential Energy updates the Information Sharing Register on its website each quarter.</p> <p>Information sharing protocol (preventative control)</p> <p>Essential Energy has established an information sharing protocol that sets out the process for sharing information with other entities, including ASPs, potential related electricity service providers and other legal entities. This protocol and its related processes make sure that ring-fenced information:</p>



RING-FENCING OBLIGATION	COMPLIANCE MEASURES
<p>(b) the disclosure is required by, or for the purpose of complying with any law;</p> <p>(c) the disclosure is necessary to enable the DNSP to provide its distribution services or transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(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 its transmission, contestable electricity 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 any 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 related electricity service provider or the DNSP;</p>	<ul style="list-style-type: none"> ▶ is not disclosed inappropriately ▶ is only used for the purpose for which it was acquired or generated; and ▶ where disclosed to a related electricity service provider, is provided to other legal entities on an equal basis. <p>The information sharing protocol sets out the application process for obtaining ring-fenced information including:</p> <ul style="list-style-type: none"> ▶ provision of an application form requesting information on the legal entity, the ring-fenced information requested and the purpose for the request; and ▶ agreement to an information sharing Deed Poll binding the legal entity receiving the information to comply with certain requirements of the Guideline as if it were Essential Energy, including strict confidentiality clauses. <p>The information sharing protocol further details Essential Energy's assessment process for disclosure of ring-fenced information under the Guideline and is available on Essential Energy's website.</p> <p>Training and awareness (preventative control)</p> <p>All staff are required to undergo annual refresher training on Essential Energy's ring-fencing obligations. The training includes guidance about information separation requirements between Essential Energy and its RESP. Training is delivered via Essential Energy's online training system and completion by staff is recorded and monitored.</p> <p>All staff are required to undertake induction and annual cyber safety training so that staff are well informed and skilled in practices to appropriately protect and handle protected information and data within Essential Energy systems. Training does not specifically address ring-fenced information, but more broadly teaches appropriate behaviours to secure information from external threats.</p> <p>Quarterly reporting (detective control)</p>



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<ul style="list-style-type: none"> (g) where another DNSP is an affiliated entity of the DNSP, the disclosure is to the part of that other DNSP that provides that other DNSP's direct control services; (h) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to ring-fenced information; or (i) another legal entity, other than a related electricity service provider of the DNSP, has requested the disclosure. 	<p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>
<p>4.3.3(a) Subject to clause 4.1(c)iv and to this clause 4.3.3, where a DNSP shares ring-fenced information with a related electricity service provider, or where ringfenced information that a DNSP has disclosed under clause 4.3.2(f) is then disclosed by any person to a related electricity service provider of the DNSP, the DNSP must provide access to that ring-fenced information (including the derived information) to other legal entities on an equal basis.</p>	
<p>4.3.3(d) Without limiting clause 4.3.3(a), a DNSP must establish an information sharing protocol that sets how and when it will</p>	



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	make the information referred to in clause 4.3.4(a) available to legal entities, and must make that protocol publicly available on its website.
4.3.3(e)	Where a DNSP discloses information referred to in clause 4.3.3(a) to any other legal entity under this clause 4.3.3, it must do so on terms and conditions that require the other legal entity to comply with clause 4.3.1 and 4.3.2(a) to (d) in relation to that information as if the other legal entity was a DNSP.
4.3.4(a)	<p>A DNSP must establish, maintain and keep a register of all:</p> <ul style="list-style-type: none"> i related electricity service providers; ii other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; <p>who request access to information identified in clause 4.3.3(a), and must make the register publicly available on its website.</p>
4.3.4(b)	<p>For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.3(a), the DNSP's information register must:</p> <p>Information sharing protocol (preventative control)</p> <p>Essential Energy has established an information sharing protocol that sets out the process for sharing information with other entities, including ASPs, potential related electricity service providers and other legal entities. This protocol and its related processes make sure that ring-fenced information:</p> <ul style="list-style-type: none"> ▶ is not disclosed inappropriately ▶ is only used for the purpose for which it was acquired or generated ▶ where disclosed to a related electricity service provider, is provided to other legal entities on an equal basis. <p>The information sharing protocol sets out the application process for obtaining ring-fenced information including:</p> <ul style="list-style-type: none"> ▶ provision of an application form requesting information on the legal entity, the ring-fenced information requested and the purpose for the request



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	<ul style="list-style-type: none"> i identify the kind of information requested by the legal entity; and ii describe the kind of information requested by the 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 DNSP. <p>► agreement to an information sharing Deed Poll binding the legal entity receiving the information to comply with certain requirements of the Guideline as if it were Essential Energy, including strict confidentiality clauses.</p> <p>The information sharing protocol further details Essential Energy's assessment process for disclosure of ring-fenced information under the Guideline and is available on Essential Energy's website.</p> <p>Information register (preventative control)</p>
4.3.4(c)	<p>A legal entity may request that the DNSP include it on the information register in relation to some or all of the kinds of information that the DNSP is required to provide under clause 4.3.3(a), and the DNSP must comply with that request.</p> <p>Essential Energy has established an information register listing requests from all service providers, including related electricity service providers and other legal entities that provide contestable electricity services.</p> <p>The register is updated as information requests are received or otherwise each quarter. The register is published on the Essential Energy website alongside the information sharing protocol.</p> <p>To date Essential Energy has received no information requests necessitating reporting on the information register but has policies and procedures in place to address this requirement when it arises.</p>
Service Providers	
4.4.1(a)	<p>A DNSP must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, required the service provider to comply in providing those services, with:</p> <ul style="list-style-type: none"> i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.1 of this Guideline; and <p>Terms and conditions for service providers (preventative control)</p> <p>A ring-fencing assessment process is embedded within Essential Energy's Procurement procedures and the Procurement Plan template. Guidance has been provided to employees on the Procurement procedure and ring-fencing obligations. Where a ring-fencing impact is identified the Compliance and Legal teams will be involved so that the correct clauses are included in the relevant contracts. Essential Energy's standard terms and conditions also include ring-fencing considerations.</p> <p>Ring Fencing Procurement Controls (preventative control)</p>



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	<p>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP.</p>
<p>4.4.1(b) A DNSP must not, directly or indirectly encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's obligations under clause 4 of this Guideline.</p>	<p>Section 4.1 of Company Procedure CEOP0009.06 Source to Contract has been amended to include Ring-fencing procurement controls. This includes an assessment of whether the procurement will have any Ring-fencing implications.</p> <p>Establishment of an Intium Oracle ERP Business Unit (preventative control)</p> <p>A dedicated Intium Procurement Business Unit was established in Oracle ERP on 12 November 2024 to support an independent procurement function for Intium. This reduces risk that an Intium employee may be provided inappropriate access to Essential Energy documentation. Prior to this access to sourcing arrangements and agreements was limited by restricting user access within ERP.</p> <p>Training and awareness (preventative control)</p> <p>All staff are required to undergo training on Essential Energy's ring-fencing obligations. The training provides staff awareness and knowledge that Essential Energy does not provide other services unless an AER waiver has been granted or an exemption exists. Training is delivered via Essential Energy's online training system and completion by staff is recorded and monitored. Procurement staff have received specific training on the obligations of the Ring-fencing Guideline and the implications on procurement processes.</p> <p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guidelines or report any breaches.</p>
<p>Waiver register</p>	
<p>5.7(a) A DNSP must establish, maintain, and keep a register of all waivers (including a variation of a waiver) granted to the DNSP</p>	<p>Waiver applications and register update (preventative control)</p>



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	<p>by the AER under clause 5 of this Guideline and must make the register publicly available on its website.</p>
<p>5.7(b)</p> <p>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 DNSP, to grant (or vary) the waiver or interim waiver.</p>	<p>Consideration and preparation of waiver applications are the responsibility of the Regulatory Affairs team (comprising Compliance) and Business lines that are seeking a waiver. Essential Energy has created a waiver register, which is published on Essential Energy's website. The waiver register includes sections to cover all requirements set out in clause 5.7(b) of the Guideline.</p> <p>The waiver register is updated by the Compliance team each quarter or as:</p> <ul style="list-style-type: none"> ▶ AER waivers are granted to Essential Energy, or ▶ AER class waivers are granted; or ▶ existing waivers expire.
<p>Maintaining compliance</p>	
<p>6.1</p> <p>A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline. The AER may require the DNSP to demonstrate the adequacy of these procedures upon reasonable notice.</p> <p>However, any statement made or assurance given by the AER concerning the adequacy of the DNSP's compliance procedures does not affect the DNSP's obligations under this Guideline.</p>	<p>Policies and procedures (preventative control)</p> <p>Essential Energy has the following policies and procedures in place that guides its internal compliance procedures. It is also imbedded in the training provided to employees:</p> <ul style="list-style-type: none"> ▶ Ring-Fencing Policy – CECP2476. This policy applies to all Essential Energy employees, contractors and service providers and outlines Essential Energy's approach to compliance with the obligations outlined in the Guideline. ▶ Ring-Fencing Procedure - CEOP2477. This document provides guidance to Essential Energy employees on how to adhere to the Ring-Fencing Policy. ▶ Ring-Fencing Compliance Monitoring and Reporting Procedure - CEOP2480. This document outlines the processes for undertaking breach management and reporting and preparing the annual compliance report.



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	<p>Breach management process (preventative and corrective control)</p> <p>Essential Energy has a breach management process in place that guides identification, notification, investigation, remediation and reporting on ring-fencing compliance breaches. This process is documented in the Ring-Fencing Compliance Monitoring and Reporting Procedure - CEOP2480.</p> <p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>
<p>6.2.1</p> <p>Annual compliance report</p> <p>(a) A DNSP must prepare an annual ringfencing compliance report each regulatory year in accordance with this clause 6.2.1, and submit it to the AER in accordance with clause 6.2.2.</p> <p>(b) The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:</p> <p>i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline;</p>	<p>Ring-fencing compliance report (preventative control)</p> <p>Essential Energy has prepared this report to comply with clause 6.2.1 and in line with its processes documented in CEOP2480 Ring-Fencing Compliance Monitoring and Reporting Procedure.</p> <p>The report is compiled by the Compliance team, based upon results from reporting the quarterly reporting process that covered the period 1 January to 31 December 2024 where information was requested from business managers on their activities and monitoring and review of potential breach reports.</p> <p>The report is subject to internal management review and approval. The report will be submitted to the AER by 30 April 2025.</p> <p>Breach management process (preventative and corrective control)</p> <p>Essential Energy has a breach management process in place that guides identification, notification, investigation, remediation and reporting on ring-fencing compliance breaches. This</p>



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<ul style="list-style-type: none"> ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP; iii. all other services provided by the DNSP in accordance with clause 3.1; and iv. the purpose of all transactions between the DNSP and an affiliated entity. <p>(c) The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.</p> <p>(d) A DNSP's annual compliance report may, in relation to clause 3.2 of this Guideline, be based on information provided to the AER under a regulatory information notice for the DNSP's most recent regulatory year. If so, that annual compliance report must cover, in relation to clause 3.2 of this Guideline, the entirety of that regulatory year.</p> <p>(e) Annual compliance reports may be made publicly available by the AER.</p>	<p>process is documented in the Ring-Fencing Compliance Monitoring and Reporting Procedure - CEOP2480.</p> <p>Independent assessment (preventative control)</p> <p>Essential Energy has engaged KPMG to undertake an assessment of its compliance with the Guideline in the reporting period. The outcome of KPMG's independent assessment will accompany the report when it is lodged with the AER.</p> <p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>
<p>6.2.2(a) Timing of annual compliance reporting</p> <p>Subject to clause 6.2.2(b), a DNSP must submit its annual compliance report to</p>	



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	<p>the AER within four months of the end of the regulatory year to which the compliance report relates.</p>
<p>6.2.3(a)</p> <p>Regulated stand-alone power systems reporting</p> <p>A DNSP must establish, maintain and keep a register that identifies for each stand-alone power system used by the DNSP to provide other services:</p> <ul style="list-style-type: none"> i. the local government area in which the stand-alone power system is deployed; ii. the number of premises served by the stand-alone power system; iii. the maximum demand, in kW, served by the stand-alone power system; iv. the aggregated annual average energy consumption, in kWh, of the premises served by the stand-alone power system; v. the revenue earned by the DNSP for providing other services by means of the stand-alone power system in the current calendar year; and vi. whether the DNSP has made a request, in writing, for the supply of the other services by another legal 	<p>Stand-alone power system (SAPS) register (preventative control)</p> <p>The SAPS register is updated and published each quarter on the Essential Energy website.</p> <p>Quarterly reporting (detective control)</p> <p>The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>



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	<p>entity (other than an affiliated entity of the DNSP).</p>
<p>6.2.3(b) No later than 15 January, 15 April, 15 July, and 15 October each year, a DNSP must publish, on its website, an updated version of each of the registers referred to in clause 6.2.3(a). The DNSP must ensure that the information published in each updated version is current to the end of the calendar month that is immediately prior to the required publication date for that updated version under this clause 6.2.3(b).</p>	
<p>6.3 A DNSP must notify the AER in writing within 15 business days of becoming aware of a material breach of its obligations under this Guideline, except for a breach of clause 6.2.2 or this clause 6.3 of this Guideline. The AER may seek enforcement of this Guideline by a court in the event of any breach of this Guideline by a DNSP, in accordance with the NEL.</p>	<p>Breach management process (preventative and corrective control) Essential Energy has a breach management process in place that guides identification, notification, investigation, remediation and reporting on ring-fencing compliance breaches. This process is documented in the procedure Ring-fencing Compliance Monitoring and Reporting CEOP2480.</p> <p>Quarterly reporting (detective control) The Compliance team requests quarterly information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Quarterly compliance reporting assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>



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