

Independent Reasonable Assurance Report to the Directors of Essential Energy

Conclusion

In our opinion, Essential Energy's Statement of Compliance that the entity has, with the exception of the breaches identified and reported to the Australian Energy Regulator, complied with the Ring-fencing Guideline published on 3 November 2021 is, in all material respects, fairly presented for the regulatory period from 1 January 2024 to 31 December 2024.

Emphasis of Matter – Breaches of the Ring-fencing Guideline

Without qualifying our conclusion, we draw attention to Section 2 of Essential Energy's Electricity Distribution Ring-fencing Compliance Report ("Compliance Report"), which describes the breaches of the Ring-fencing Guideline published by the AER on 3 November 2021 ("the Ring-fencing Guideline") identified and reported to the Australian Energy Regulator (AER) for the regulatory period from 1 January 2024 to 31 December 2024.

Breach of 4.2.1, 4.2.2, 4.2.3, 4.2.4 and 4.4.1(a) of the Ring-fencing Guideline

On 11 July 2019, Essential Energy reported a breach of clauses 4.2.1, 4.2.2, 4.2.3, 4.2.4 and 4.4.1(a) of the Ring-fencing Guideline, as it involved Essential Energy providing a contestable electricity service without complying with those provisions. Essential Energy had been providing these services under a waiver since December 2017, to allow Essential Energy time to transition to the new regulatory treatment of type 1-4 metering services. That waiver expired on 30 June 2019, with some residual type 1-4 metering services still being provided.

To meet this obligation Essential Energy has been corresponding with retailers to transfer the existing metering services and is providing the AER with progress updates on the reduction in the number of meters for which it is responsible.

Breach of 5.7 of the Ring-fencing Guideline – Waiver Register

On 15 February 2024, Essential Energy reported a breach of clause 5.7 of the Ring-fencing Guideline in relation to Essential Energy not listing Class Waivers granted by the AER to all DNSPs in its waiver register.

The waiver register has since been updated to reflect all Class Waivers. *Breach of 4.1(b), 4.1(c), 4.3.1 and 4.3.2 of the Ring-fencing Guideline*

On 16 April 2024, Essential Energy reported a breach of clauses 4.1(b), 4.1(c), 4.3.1 and 4.3.2 of the Ring-fencing Guideline in relation to not achieving full separation of information between Essential Energy and Intium prior to Intium entering into a Letter of Intent to provide contestable services for a renewable generator.

Essential Energy provided a remediation plan with corrective measures to the AER which were fully implemented by 30 June 2024.

Scope

Essential Energy engaged KPMG to perform a reasonable assurance engagement on whether Essential Energy's Statement of Compliance that the entity has, with the exception of the breaches identified and reported to the AER, complied with the Ring-fencing Guideline is, in all material respects, fairly presented for the regulatory period from 1 January 2024 to 31 December 2024. This Statement of Compliance will accompany our report, for the purpose of reporting to the Directors of Essential Energy and the AER.

Basis for Our Conclusion

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

In accordance with ASAE 3100 we have:

- used our professional judgment to plan our procedures and assess the risk of material misstatements in Essential Energy's Statement of Compliance that the entity has, with the exception of the breaches identified and reported to the AER, complied with the Ring-fencing Guideline;
- considered internal controls implemented to meet the compliance requirements; however, we do not express a conclusion on their effectiveness; and,
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of Procedures Performed, Observations and Findings

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

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

Inherent Limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. It is therefore possible that fraud, error or material misstatement in Essential Energy's Statement of Compliance may occur and not be detected.

Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material misstatement in Essential Energy's Statement of Compliance when it exists. Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Essential Energy.

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

Use of this Assurance Report and Matters Relating to Electronic Publication

This report has been prepared for the Directors of Essential Energy and the AER for the purpose of assisting the Directors in meeting their reporting obligations under the Ring-fencing Guideline and may not be suitable for another purpose.

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

We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Essential Energy and the AER, or for any other purpose than that for which it was prepared.

Management's Responsibility

Management is responsible for:

- the compliance activities undertaken to meet the requirements of the Ring-Fencing Guideline;
- identification of the risks that threaten the requirements of the Ring-Fencing Guideline identified above being met and identifying, designing and implementing controls which will mitigate those risks and monitor ongoing compliance;
- providing a Statement with respect to the outcome of the evaluation of the compliance activities against the requirements of the Ring-Fencing Guideline, which accompanies this Independent Assurance Report; and
- identification of the requirements of the Ring-Fencing Guideline if not identified by law and regulation.

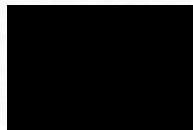


Our Responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to Essential Energy's Statement of Compliance with the Ring-Fencing Guideline for the regulatory period from 1 January 2024 to 31 December 2024 and to issue an assurance report that includes our conclusion based on the procedures we have performed and evidence we have obtained.

Our Independence and Quality Management

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



KPMG

Sydney

29 April 2025



Appendix A: Summary of procedures performed, observations and findings

In this section, we present an overview of key procedures performed, observations and findings as part of our reasonable assurance engagement in respect of Essential Energy's compliance activities with the relevant requirements of the Ring-fencing Guideline for the regulatory period from 1 January 2024 to 31 December 2024.

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

We performed the following general procedures to assess Essential Energy's overall compliance with the Ring-fencing Guideline:

- Read the Compliance Report to obtain an understanding of Essential Energy's overall compliance strategy, measures and internal controls for Ring-fencing;
- Conducted interviews to obtain an understanding of changes to the regulatory business activities and related compliance management approach;
- Inspected supporting evidence which included policies, procedures and practices undertaken to embed Ring-fencing compliance measures during the period; and
- Read correspondence with the AER for the period from 1 January 2024 to 31 December 2024 to understand the AER's response to breaches reported during the year.

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

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
Legal Separation			
3.1(a) A Distribution Network Service Provider (DNSP) must be a legal entity.	<ul style="list-style-type: none"> Separate legal entity by statute 	<ul style="list-style-type: none"> Obtained and inspected the Legal Entity Structure for Essential Energy. Performed an ASIC search on Essential Energy and Intium Pty Ltd (Intium) using their separate ABNs. 	None.
3.1(b) Subject to this clause 3.1, a DNSP may provide distribution services and transmission services, but must not provide other services.	<ul style="list-style-type: none"> Waivers and waiver register Classification of Services Approval of new services Training and awareness Reporting of Potential Ring-fencing breaches Quarterly reporting Financial results review 	<ul style="list-style-type: none"> Inspected the Waivers register on Essential Energy's customer-facing website for waivers that permit the DNSP to provide other services in addition to distribution services. Inspected the extension from 30 June 2024 to 30 June 2029 of the waiver granted by the AER to allow Essential Energy to continue owning and operating Essential Water under section 116 of the Water Management (General) Regulation 2018 (NSW). Inspected the extension from 30 June 2024 to 30 June 2029 of the waiver provided by the AER to allow Essential Energy to continue to provide training to accredited service providers (ASPs) which is mandatory under NSW contestable work schemes. Inspected Essential Energy communication with AER related to compliance of waivers granted to Essential Energy. These waivers allow Essential Energy to lease excess capacity from its Sovereign Hills Battery (Sovereign Hills Waiver) and allows Essential Energy to install, own and operate 35 pole top batteries with its retail partner (Pole Top Battery Waiver). 	<p>Quarterly Compliance checks</p> <p>The quarterly attestation process is manual in nature and managed in an excel workbook. The completeness and accuracy of the attestation register, and resultant responses, relies upon effective and timely communication of matters by the business to the regulatory compliance team.</p> <p>The Ring-fencing attestation process could be improved by utilising the TotalSafe system to minimise reliance on manual spreadsheets and processes.</p> <p>Essential Energy has advised that it is in the process of implementing a governance risk and compliance system (TotalSafe), which will contain an obligations register and will automate through the issuance of tasks, the regular compliance attestation process and controls testing requirements of process owners.</p> <p>Refer to PY PIO 1 contained in Appendix B.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<ul style="list-style-type: none"> • Inspected the final decision document "AER's approved classification of services for DNSP's in NSW and ACT" as a part of their regulatory determination for 2024-29 (published on AER website in April 2024). • Obtained an understanding of management's review and approval process in place for contestable services. • Inspected the Ring-fencing training materials to determine whether the content accurately reflected Essential Energy's obligation to not provide other services. • Inspected the guidelines published on SharePoint site and checked that they provide details on how Essential Energy works with Intium. • Inspected the Ring-fencing training materials to determine whether the content accurately detailed how Essential Energy employees can report potential breaches to the Essential Energy Compliance Team. • Obtained a list of briefing sessions held as a part of training and awareness on how to work with Intium and for a sample of the sessions, inspected email invites sent to participants. • Inspected the training attendance and completion records for the year ended 31 December 2024 to determine the completion rate of ring-fencing training during the compliance period. This included comparisons to HR records of new starters during the period. • Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for 	

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<p>conducting quarterly compliance reporting.</p> <ul style="list-style-type: none"> • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. • Inspected the July 2024 and December 2024 Financial Performance Report to determine whether the financial results analysis includes variance analysis to assist in detecting breaches where revenues are unexplained or vary significantly from what is expected. 	
Establish and maintain accounts			
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.	<ul style="list-style-type: none"> • ERP separation • Shared services agreement • Contracted Services Agreement • Financial results review 	<ul style="list-style-type: none"> • Conducted a walkthrough of Essential Energy's Oracle Enterprise Resource Planning system to check that Intium was established as a separate entity. • Inspected the shared services agreement between Essential Energy and Intium to understand the process for costing and charging fees for corporate services provided by Essential Energy to Intium in accordance with Essential Energy's CAM. • Inspected the contracted service agreement between Essential Energy and Intium to understand the process for charging fees for project delivery services provided by Essential Energy to Intium. 	None.

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<ul style="list-style-type: none"> Inspected the July 2024 and December 2024 Financial Performance Reports to determine whether the financial results analysis conducted by Essential Energy includes an analysis of expenditure results and variances from forecasts or budgeted outcomes. Checked the listing of intercompany journal entries between Essential Energy and Intium for the year ended 31 December 2024 matched the transaction categories disclosed in Essential Energy's Compliance Report. 	
Cost Allocation and Attribution			
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.	<ul style="list-style-type: none"> Accounting codes for distribution and non-distribution services ERP separation Shared services agreement Contracted Services Agreement Financial results review 	<ul style="list-style-type: none"> Inspected Essential Energy's CAM and checked that it addresses the attribution of costs between distribution and non-distribution services and that it has been approved by the AER. KPMG were the independent auditors in connection with the regulatory information templates of Essential Energy prepared under the AER's Regulatory Information Notices (RINs) for the regulatory year ended 30 June 2024. <p>We considered the appropriateness of Essential Energy's CAM as part of this audit engagement. Our procedures included:</p> <ul style="list-style-type: none"> Walkthroughs of key processes and activities related to cost allocation such as project creation and cost capture, creation of purchase orders, invoice processing and overhead allocations, and 	None.
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.			

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<ul style="list-style-type: none"> - For a sample of costs incurred, agreeing to supporting documentation such as invoices and comparing project allocation mapping to AER definitions provided in the RIN. • Conducted a walkthrough of Essential Energy's Oracle Enterprise Resource Planning system to confirm that Intium was established as a separate entity. • Inspected the shared services agreement between Essential Energy and Intium to understand the process for costing and charging fees for corporate services provided by Essential Energy to Intium in accordance with Essential Energy's CAM. • Inspected the contracted service agreement between Essential Energy and Intium to determine how fees are paid by Intium to Essential Energy. • Inspected the July 2024 and December 2024 Financial Performance Reports to determine whether the financial results analysis conducted by Essential Energy includes an analysis of expenditure results and variances from forecasts or budgeted outcomes. 	
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).	<ul style="list-style-type: none"> • ERP separation • Reviewing and maintaining accounting records 	<ul style="list-style-type: none"> • Conducted a walkthrough of Essential Energy's Oracle Enterprise Resource Planning system to confirm that Intium was established as a separate entity. • Inspected the July 2024 and December 2024 Financial Performance Reports to determine whether the financial results analysis conducted by Essential Energy includes an analysis of expenditure results and variances from forecasts or budgeted outcomes. Intium financial results 	

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<p>were presented separately in these financial performance reports.</p> <ul style="list-style-type: none"> KPMG were the independent auditors in connection with the regulatory information templates of Essential Energy prepared under the AER's Regulatory Information Notices (RINs) for the regulatory year ended 30 June 2024. <p>We considered the appropriateness of Essential Energy's CAM as part of this audit engagement. Our procedures included:</p> <ul style="list-style-type: none"> Walkthroughs of key processes and activities related to cost allocation such as project creation and cost capture, creation of purchase orders, invoice processing and overhead allocations, and For a sample of costs incurred, agreeing to supporting documentation such as invoices and comparing project allocation mapping to AER definitions provided in the RIN. 	
Obligations to not discriminate			
<p>4.1(b) 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> <p>i) direct control services by the DNSP (whether to itself or to any other level entity); and/or</p> <p>ii) contestable electricity services by any other legal entity.</p>	<ul style="list-style-type: none"> Training and awareness Contracted Services Agreement Contracted Services Protocol Shared services agreement Shared Services Protocol Quarterly reporting 	<ul style="list-style-type: none"> Inspected the Ring-fencing training materials to determine whether the content accurately reflected Essential Energy's obligation to not discriminate. Inspected the training enrolment and completion records for the year ended 31 December 2024 to determine the completion rate of ring-fencing training during the compliance period. This included comparisons to HR records of new starters during the period. Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for 	<p>Refer to our observations above under 3.1(b) Quarterly compliance checks.</p> <p>Breach reported by Essential Energy to AER</p> <p>On 16 April 2024, Essential Energy reported a breach of clauses 4.1(b), 4.1(c), 4.3.1 and 4.3.2 of the Ring-fencing Guideline in relation to not achieving full separation of information between Essential Energy and Intium.</p> <p>Essential Energy provided a remediation plan with corrective</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
<p>4.1(c) Without limiting its scope, clause 4.1(b) requires a DNSP to:</p> <p>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).</p> <p>ii) in like circumstances, deal or offer to deal with a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider on substantially the same terms and conditions.</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 4.3.2(b), not disclose to a related electricity service provider information the DNSP has obtained through its dealings with a competitor (or potential competitor) of the related electricity service provider where the disclosure would, or</p>	<ul style="list-style-type: none"> • Ring-fencing Sharepoint site • Advice provided to Directors and Senior Managers 	<ul style="list-style-type: none"> • conducting quarterly compliance reporting. • Inspected the contracted service agreement between Essential Energy and Intium and checked that it describes the terms and conditions under which Essential Energy provides project delivery services provided to Intium. • Inspected the contracted service operating protocol and checked that it describes how Essential Energy interacts with Intium while providing contracted services, including adherence to the Ring-fencing Guideline principles of not discriminating in favour of its Related Electricity Service Provider (RESP), not sharing electricity or other ring-fenced information, and not cross-subsidising services. • Inspected the shared services agreement between Essential Energy and Intium and checked that it describes the terms and conditions that apply in the provision of shared services to Intium. • Inspected the shared services operating 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. • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period of 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestation to assess the 	<p>measures to the AER which were fully implemented by 30 June 2024.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
would be likely to, provide an advantage to the related electricity service provider.		completeness and accuracy of the Quarterly Compliance checks spreadsheet.	
4.1.(d) A DNSP must not discriminate (either directly or indirectly) between any 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 controlled (in whole or in part) by the DNSP.		<ul style="list-style-type: none"> Conducted a walkthrough of Essential Energy's Ring-Fencing SharePoint site and checked it provides employees with information on Ring-fencing obligations and the implications for Essential Energy and additionally the implications of the establishment Intium. Through enquiry with management, we obtained an understanding of advice and guidance provided by Essential Energy to Essential Energy executives serving as Intium directors regarding the obligation not to discriminate. 	
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> <ul style="list-style-type: none"> Regional office analysis Office register Intium Offices established in Sydney and Port Macquarie Training and awareness Quarterly reporting Periodic Reviews of Employees Physical Access Rights <p>• Obtained management's quarterly analysis of services offered in Regional Offices (those that have less than 25,000 connection points within a 100km radius of the office) and compared these to existing waivers to check that Essential Energy is exempt from complying with the offices, staff, branding and cross-promotion separation obligations for services provided from those Regional Offices.</p> <p>• Inspected the Office Registers published during the reporting period to check whether they had been published as per the required timeframes and also whether they appropriately classified regional offices and depots and included sites required to be listed on the register.</p> <p>• Inspected the lease agreements for Intium's newly established Sydney and Port Macquarie offices.</p> <p>Refer to our observations above under 3.1(b) in relation to Quarterly compliance checks.</p> <p>Breach identified and reported by Essential Energy to the AER:</p> <p>On 11 July 2019, Essential Energy reported a breach of clauses 4.2.1, 4.2.2, 4.2.3, 4.2.4 and 4.4.1(a) of the Ring-fencing Guideline, as it involved Essential Energy providing a contestable electricity service without complying with those provisions.</p> <p>Essential Energy had been providing these services under a waiver since December 2017, to allow Essential Energy time to transition to the new</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<ul style="list-style-type: none"> • Using Google Earth, checked that the Essential Energy and Intium offices are in separate physical locations. • Obtained an understanding of the controls in place to physically separate Intium employees in restricted areas of Essential Energy offices prior to separate offices being established during 2024. • Inspected the physical access system of Essential Energy and checked that as at the date of testing, no Intium employees had access to Essential Energy offices. • Inspected the Ring-fencing training materials to determine whether the content provided guidance on physical separation and regionally exempt depots. • Inspected the training attendance and completion records for the year ended 31 December 2024 to determine the completion rate of ring-fencing training during the compliance period. This included comparisons to HR records of new starters during the period. • Inspected Essential Energy's procedure document CEOH4000.04 to check whether Essential Energy had a supporting process in place for conducting quarterly compliance reporting. • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly 	<p>regulatory treatment of type 1-4 metering services. That waiver expired on 1 July 2019, with some residual type 1-4 metering services still being provided.</p> <p>Essential Energy continues to provide six-monthly updates to the AER on the number of sites where metering services continue to be provided. The number of sites where Essential Energy provides contestable metering services has remained at four throughout the year ended December 2024.</p> <p>Employees physical access</p> <p>Essential Energy physical security system does not retain a historical record of physical access removal dates. The security system archives the date of access removal the day after access is removed.</p> <p>Refer to PIO 4 contained in Appendix B.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<p>Compliance checks spreadsheet.</p> <ul style="list-style-type: none"> • Inspected the policy on access management. • On a sample basis, obtained evidence of quarterly reviews of employees' physical access rights. 	
<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>	<ul style="list-style-type: none"> • Shared services agreement • Staff Register • Training and awareness • Quarterly reporting • Physical security controls for seconded employees • Physical Access Controls documented 	<ul style="list-style-type: none"> • Inspected the shared services agreement between Essential Energy and Intium to understand the process for costing and charging fees for corporate services provided by Essential Energy to Intium in accordance with Essential Energy's CAM. • Inspected the Staff Register and checked that it contains the nature of the position of staff, the description of their role, functions and duties and the applicable exemptions under the Ring-fencing Guideline. • Obtained an understanding of the process undertaken by the Compliance Team to validate the Staff Register as current for each of the quarters published. • Inspected the Ring-fencing training materials to determine whether the content provides guidance on regulated and unregulated services. • Inspected the training attendance and completion records for the year ended 31 December 2024 to determine the completion rate of ring-fencing training during the compliance period. This included comparisons to HR records of new starters during the period. • Inspected Essential Energy's procedure document CEOH4000.04 to check whether Essential Energy had a supporting process in place for conducting quarterly compliance reporting. 	<p>Refer to our observations above under:</p> <ul style="list-style-type: none"> - 3.1(b) in relation to Quarterly compliance checks; - 4.2.1(a) in relation to the breach identified and reported by Essential Energy to the AER; and - 4.2.1(a) in relation to the physical security access data retention.

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<ul style="list-style-type: none"> Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. Inspected the policy on access management. On a sample basis, obtained evidence of quarterly reviews of employees' physical access rights. No employees were seconded to Intium during the year. Checked the existing Intium employees do not have a physical access to Essential Energy offices and sites as of testing date. 	
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.	<ul style="list-style-type: none"> Employee performance measures Corporate Scorecard 	<ul style="list-style-type: none"> Enquired of management whether there had been any changes to incentive arrangements during the compliance period. Inspected Essential Energy's STI Plan Information Booklet (Feb 2024) to check that remuneration incentives and other benefits provided to DNSP staff do not incentivise staff to act in a manner that is contrary to the obligations. We sighted the June 2024 and December 2024 CEO Board Report Corporate Scorecards. The scorecards contain a section that outline any material regulatory breaches identified. 	None.

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
Branding and cross-promotion			
<p>4.2.3(a) A DNSP:</p> <p>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.</p> <p>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).</p> <p>iii) must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>	<ul style="list-style-type: none"> • Separate branding for Essential Energy from affiliated entities • Regional office analysis • Office register • Training and awareness • Social Media Guidelines • Quarterly reporting 	<ul style="list-style-type: none"> • Accessed the Essential Energy and Intium social media channels and public websites to check for separate branding and identify any cross-promotion. • Inspected Intium's Brand Guidelines to check that they are separate. • Accessed the website and social media page of Intium. • Inspected the employee listing for Intium and noted an independent marketing director is appointed for Intium. • Obtained evidence that the Regional office analysis is checked, validated, and updated by the Compliance Team on a quarterly basis. • Inspected Essential Energy's Office Register to determine whether Essential Energy complies with points (i) to (iii) of clause 4.2.3 (a). • Inspected the Ring-fencing training materials to determine whether the content provides guidance on regulated and unregulated services. • Inspected the training enrolment and completion records for the year ended 31 December 2024 to determine the completion rate of ring-fencing training during the compliance period. This included comparisons to HR records of new starters during the period. • Inspected training material for social media guidelines. • Conducted a walkthrough of intranet site on which social media guidelines were published for employees. 	<p>Refer to our observations above under:</p> <p>- 3.1(b) in relation to Quarterly compliance checks; and</p> <p>- 4.2.1(a) in relation to the breach identified and reported by Essential Energy to the AER.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<ul style="list-style-type: none"> • Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for conducting quarterly compliance reporting. • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. 	
Office and staff registers			
<p>4.2.4(a) A DNSP must establish, maintain, and keep a register that identifies:</p> <p>i. the 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.; and</p> <p>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)ii.a., 4.2.2(b)ii.b., 4.2.2(b)ii.iii or 4.2.2(d);</p> <p>iii. the staff positions referred to in clause 4.2.4(a)ii, which are held, or have been held, within</p>	<ul style="list-style-type: none"> • Office register • Staff register • Quarterly reporting 	<ul style="list-style-type: none"> • Inspected the Office Register to determine information identified the classes of offices. • Inspected the Staff Register and checked that it contains the nature of the position of staff, the description of their role, functions and duties and the applicable exemptions under the Ring-fencing Guideline. • Obtained an understanding of the process undertaken by the Compliance Team to check, validate and update the registers on a quarterly basis and publish them on Essential Energy's public website. • Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for conducting quarterly compliance reporting. 	<p>Refer to our observations above under:</p> <ul style="list-style-type: none"> - 3.1(b) in relation to Quarterly compliance checks; and - 4.2.1(a) in relation to the breach identified and reported by Essential Energy to the AER.

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
<p>the previous 3 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>		<ul style="list-style-type: none"> • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. 	
<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>	<ul style="list-style-type: none"> • Office register • Staff register • Quarterly reporting 	<ul style="list-style-type: none"> • Inspected the Office and Staff Registers published during the period and checked they were reviewed and updated as per the required timeframes of 4.2.4(b). • Obtained an understanding of the process undertaken by the Compliance Team to check, validate and update the registers on a quarterly basis and publish them on Essential Energy's public website. • Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for conducting quarterly compliance reporting. • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. 	<p>Refer to our observations above under:</p> <ul style="list-style-type: none"> - 3.1(b) in relation to Quarterly compliance checks; and - 4.2.1(a) in relation to the breach identified and reported by Essential Energy to the AER.

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
Information access and disclosure			
<p>4.3.1 Subject to this clause 4.3, a DNSP must:</p> <p>(a) keep ring-fenced information confidential; and</p> <p>(b) only use ring-fenced information for the purpose for which it was acquired or generated.</p>	<ul style="list-style-type: none"> • IT restrictions on information access • Training and awareness • Quarterly reporting 	<ul style="list-style-type: none"> • Obtained an understanding of management's information separation processes through enquiry and inspection of underlying process documents and compliance action plans. • Tested on a sample basis the information segregations and enforcements in restricting access to: <ul style="list-style-type: none"> ◦ Essential Energy Ring-fenced information within ERP system by Intium staff. ◦ Essential Energy shared drives by Intium staff by sampling access provided to Intium new starters during the calendar year. ◦ Removal of access to legacy Essential Energy emails, domains and systems other than elements of the ERP system which Intium employees need access to. • Inspected the Ring-fencing training materials and checked that they accurately describe Essential Energy's obligation to keep ring-fenced information confidential and use ring-fenced information for the purpose for which it was acquired or generated. • Inspected the training attendance and completion records for the year ended 31 December 2024 to determine the completion rate of ring-fencing training during the compliance period. This included comparisons to HR records of new starters during the period. • Inspected the Cyber safety training materials to check if they provided staff guidance on maintaining safe practices and security of data from external threats. 	<p>Refer to our observations above under:</p> <ul style="list-style-type: none"> - 3.1(b) in relation to Quarterly compliance checks. - 4.1(b) in relation to the breach identified and reported by Essential Energy to the AER.

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<ul style="list-style-type: none"> • Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for conducting quarterly compliance reporting. • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. 	
<p>4.3.2 A DNSP must not disclose ring-fenced information to any person, including a related electricity service provider, unless:</p> <p>(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> <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, its other services (including by acquiring services from other legal</p>	<ul style="list-style-type: none"> • Information Sharing Register • Information sharing protocol • Training and awareness • Quarterly reporting 	<ul style="list-style-type: none"> • Inspected the Essential Energy's quarterly Information sharing registers uploaded on their website. • Inspected Essential Energy's Information Sharing Protocol to assess its approach to maintaining confidentiality of ring-fenced information. • We observed that there were no information sharing requests in the regulatory period from 1 January 2024 to 31 December 2024. • Inspected the Ring-fencing training materials and checked that they accurately describe Essential Energy's obligation to keep confidential information confidential and use confidential information for the purpose for which it was acquired or generated. • Inspected the training attendance and completion records for the year ended 31 December 2024 to determine the completion rate of ring-fencing 	<p>Refer to our observations above under:</p> <p>- 3.1(b) in relation to Quarterly compliance checks.</p> <p>- 4.1(b) in relation to the breach identified and reported by Essential Energy to the AER.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
<p>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> <p>(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;</p> <p>(h) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.3 in relation to ring-fenced information; or</p>		<p>training during the compliance period. This included comparisons to HR records of new starters during the period.</p> <ul style="list-style-type: none"> • Inspected the Cyber safety training materials to check if they provided staff guidance on maintaining safe practices and security of data from external threats. • Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for conducting quarterly compliance reporting. • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. 	

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
(i) another legal entity, other than a related electricity service provider of the DNSP, has requested the disclosure.			
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 ring-fenced 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.			
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 make the information referred to in clause 4.3.3(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			

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
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) A DNSP must establish, maintain and keep a register of all: (i) related electricity service providers; (ii) other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information identified in clause 4.3.3(a), and must make the register publicly available on its website.	<ul style="list-style-type: none"> • Information Sharing Protocol • Information Register 	<ul style="list-style-type: none"> • Inspected Essential Energy's Information Sharing Protocol to assess its approach to maintaining confidentiality of ring-fenced information. • We observed that there were no information sharing requests in the regulatory period from 1 January 2024 to 31 December 2024. • Accessed Essential Energy's customer-facing website to determine whether the Information Register was publicly available and included all relevant details required by the Ring-fencing Guideline. 	None.
4.3.4(b) For each related electricity service provider or other 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: <ol style="list-style-type: none"> i. identify the kind of information requested by the related electricity service provider or other legal entity; and ii. describe the kind of information requested by the related electricity service provider or other legal entity in sufficient detail to enable other legal 			

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
<p>entities to make an informed decision about whether to request that kind of information from the DNSP.</p> <p>4.3.4(c) A legal entity may request that a 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>			
Service Providers			
<p>4.4.1.(a) 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, requires the service provider to comply, in providing those services, with:</p> <p>i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.1 of this Guideline; and</p> <p>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP;</p> <p>as if the service provider was the DNSP.</p>		<ul style="list-style-type: none"> • Terms and conditions for service providers • Ring Fencing Procurement Controls • Establishment of an Intium Oracle ERP Business Unit • Training and awareness • Quarterly reporting 	<ul style="list-style-type: none"> • Inspected the Standard Terms and Conditions for Supply of Goods and Services provided to service providers to determine whether the service providers are made aware of Ring-fencing obligations. • Inspected the Procurement Plan Template that would be used as part of the procurement process applied to contracts with a total value greater than \$30,000 to check that it considers potential Ring-fencing implications. • Obtained a list of active procurement contracts for the regulatory period and on a sample basis to check that the supplier contracts included the required terms and conditions and ring-fencing clauses. • Conducted a walkthrough to observe the separate Intium procurement module within the Oracle ERP. • Inspected the Ring-fencing training materials and checked that they accurately describe Essential <p>Refer to our observations above under:</p> <ul style="list-style-type: none"> - 3.1(b) in relation to Quarterly compliance checks. - 4.2.1(a) in relation to the breach identified and reported by Essential Energy to the AER.
<p>4.4.1 (b) A DNSP must not, directly or indirectly, encourage or incentivise a service provider</p>			

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
<p>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>Energy's obligations.</p> <ul style="list-style-type: none"> Inspected the training attendance and completion records for the year ended 31 December 2024 to determine the completion rate of ring-fencing training during the compliance period. This included comparisons to HR records of new starters during the period. Reviewed the content of the online briefing session delivered to procurement staff regarding the obligations of the Ring-Fencing guideline and its implications on the procurement process. Obtained a list of customer complaints to determine whether the complaints were in relation to the conduct of a third-party service provider. No complaints were noted in relation to Ring-fencing or the conduct of service providers for the regulatory period from 1 January 2024 to 31 December 2024. Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for conducting quarterly compliance reporting. Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. 	

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
Waivers register			
<p>5.7 (a) A DNSP must establish, maintain, and keep a register of all waivers (including any variation of a waiver) granted to the DNSP by the AER under clause 5 of this Guideline, and must make the register publicly available on its website.</p>	<ul style="list-style-type: none"> Waiver applications and register update 	<ul style="list-style-type: none"> Accessed Essential Energy's external website and sighted that the waiver register was publicly available and included all information required by the obligations. Inspected the AER's written response to Essential Energy's waiver extension application in relation to clauses 4.2.1, 4.2.2, 4.2.3 and 4.2.4 of the Ring-fencing Guideline from 30 June 2024 until 30 June 2029 to provide training courses to Accredited Service Providers. 	<p>Breach identified and reported by Essential Energy to the AER (after reporting period):</p> <p>On 15 February 2024, Essential Energy reported a breach of clause 5.7 of the Ring-fencing Guideline in relation to Essential Energy not listing Class Waivers granted by the AER to all DNSPs in its waiver register.</p>
<p>5.7 (b) The register established under clause 5.7(a) must include:</p> <p>i. the description of the conduct to which the waiver or interim waiver applies; and</p> <p>ii. the terms and conditions of the waiver or interim waiver; 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>		<ul style="list-style-type: none"> Inspected the AER's written response to Essential Energy's waiver extension application in relation to clauses 3.1(b), 4.2 and 4.4.1(a) of the Ring-fencing Guidelines from 30 June 2024 to 30 June 2029, to allow Essential Energy to continue owning and operating Essential Water under section 116 of the Water Management (General) Regulation 2018 (NSW). Inspected Essential Energy communication with AER related to compliance of two waiver conditions of the two waivers granted to Essential Energy. These waivers allow Essential Energy to lease excess capacity from its Sovereign Hills Battery (Sovereign Hills Waiver) and allows the Essential Energy to install, own and operate 35 pole top batteries with its retail partner (Pole Top Battery Waiver). Obtained and read the Sovereign Hills Battery Ring-fencing Annual Compliance Report, which is provided separately to the AER and performed the following procedures in respect of Essential Energy's annual waiver compliance requirements: 	

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
		<ul style="list-style-type: none"> ○ Enquired of management to understand the performance of the battery during the compliance period and the process undertaken to compile the data for inclusion in the Sovereign Hills Battery Ring-fencing Annual Compliance Report. ○ Obtained the original forecast of the network and third-party usage of the battery and agreed the amounts to the disclosure in the Sovereign Hills Battery Ring-fencing Annual Compliance Report. ○ Obtained and checked the mathematical accuracy of the supporting calculations for the actual 2024 network and third-party usage of the battery and agreed the amounts to the disclosure in the Sovereign Hills Battery Ring-fencing Annual Compliance Report. ○ Inspected evidence of the application of the proposed cost allocation of the battery between the regulated and unregulated asset base. 	
Maintaining Compliance			
<p>6.1 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. However, any statement made or assurance given by the AER concerning the adequacy of the DNSP's</p>	<ul style="list-style-type: none"> • Policies and Procedures - CEOP2477, CEOP2480 & CEOP2476 • Breach management process • Quarterly reporting 	<ul style="list-style-type: none"> • Inspected supporting company policies and procedures to assess whether these clearly articulate Essential Energy's approach to compliance with the obligations outlined in the guideline (version 3). • Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for conducting the Quarterly Management Reporting. 	<p>Refer to our observations above under 3.1(b) in relation to Quarterly compliance checks.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
compliance procedures does not affect the DNSP's obligations under this Guideline.		<ul style="list-style-type: none"> • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. 	
Reporting			
6.2.1 (a) A DNSP must prepare an annual ring-fencing compliance report each calendar year in accordance with this clause 6.2.1, and submit it to the AER in accordance with clause 6.2.2. 6.2.1 (b) The annual compliance report must identify and describe, in respect of the calendar year to which the report relates: <ol style="list-style-type: none"> the 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; and 	<ul style="list-style-type: none"> • Ring-fencing Compliance Report • Breach management process • Quarterly reporting 	<ul style="list-style-type: none"> • Inspected Essential Energy's Compliance Report for the period 1 January 2024 to 31 December 2024 to determine whether the report addresses points (i) to (iv) of clauses 6.2.1(b) as well as the points within (a) and (c). • Inspected Essential Energy's breach management and reporting policies and procedures for alignment with the requirements of the Guidelines and to determine whether Essential Energy has a process for escalating and assessing a breach notifying the AER with 15 days. • Inspected the breach register and checked that the breach notification occurred within the prescribed timeframe (15 days). • Inspected Essential Energy's correspondence with the AER during the regulatory compliance period regarding the status of activities undertaken to rectify the breach. • Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for conducting the Quarterly Management Reporting. 	<p>Refer to our observations above under 4.1(b), 4.2.1(a) and 5.7 in relation to the breaches identified and reported by Essential Energy to the AER.</p> <p>Refer to our observations above under 3.1(b) in relation to Quarterly compliance checks.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
<p>iv. the purpose of all transactions between the DNSP and an affiliated entity.</p> <p>6.2.1 (c) The annual compliance report must be accompanied by an assessment of compliance with each provision of this Guideline (except clauses 6.2.2 and 6.3) by a suitably qualified independent authority.</p> <p>6.2.1 (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>6.2.1 (e) Annual compliance reports may be made publicly available by the AER.</p>		<ul style="list-style-type: none"> • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. 	
<p>6.2.3 (a) 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> <p>i. the local government area in which the</p>	<ul style="list-style-type: none"> • Stand-alone power system (SAPS) register • Quarterly reporting 	<ul style="list-style-type: none"> • Inquired of Management in respect of any use or deployment of regulated stand-alone power systems during the period 1 January 2024 to 31 December 2024. • Obtained and inspected copies of the SAPS register maintained by Essential Energy during the 	Refer to our observations above under 3.1(b) in relation to Quarterly compliance checks.

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
<p>ii. stand-alone power system is deployed; the number of premises served by the regulated stand-alone power system;</p> <p>iii. the maximum demand, in kW, served by the regulated stand-alone power system;</p> <p>iv. the aggregated annual average energy consumption, in kWh, of the premises served by the regulated stand-alone power system;</p> <p>v. the revenue earned by the DNSP for providing other services by means of the regulated stand-alone power system in the current calendar year; and</p> <p>vi. whether the DNSP has made a request, in writing, for the supply of the other services by another legal entity (other than an affiliated entity of the DNSP).</p>		<p>test period to check that they provided details of any SAPS deployed during the test period and were reviewed in accordance with the required timelines of the Guidelines.</p> <ul style="list-style-type: none"> • Inspected Essential Energy's public facing website to check that the SAPS register was made publicly available. • Inspected Essential Energy's procedure document CEOH4000.04 to determine whether Essential Energy had a supporting process in place for conducting the Quarterly Management Reporting. • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. 	
<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</p>			

Compliance requirement	Management Controls and information provided	Procedures performed	Observations /findings
<p>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 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>	<ul style="list-style-type: none"> • Breach management process • Quarterly reporting 	<ul style="list-style-type: none"> • Inspected Essential Energy's Breach Management and reporting policies and procedures to determine whether Essential Energy had definitions for what constitutes a breach and managers are educated on assessing breaches and notifying the AER with 15 days. • Inspected the breach register and checked that the breach notification occurred within the prescribed timeframe (15 days). • Inspected Essential Energy's correspondence with the AER during the regulatory compliance period regarding the status of activities undertaken to rectify the breach. • Inspected Essential Energy's Quarterly Ring-fencing compliance checks spreadsheets for the period from 1 January 2024 to 31 December 2024 to determine whether there were any breaches against the obligations. • Inspected a sample of staff attestations received as part of the quarterly attestations to assess the completeness and accuracy of the Quarterly Compliance checks spreadsheet. 	<p>Refer to our observations above under:</p> <ul style="list-style-type: none"> - 3.1(b) in relation to Quarterly compliance checks and - 4.1(b), 4.2.1(a) and 5.7 in relation to the breaches identified and reported by Essential Energy to the AER.



Appendix B: Summary of performance improvement observations

In this section, we present additional details on performance improvement observations in relation Essential Energy's compliance activities for the regulatory period from 1 January 2024 to 31 December 2024. This information has been provided at the request of the AER.

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

Update on prior period improvement opportunities

Ref	Recommendation	Status at 31 December 2024	Management's response
PY PIO 1	Quarterly Attestations The Ring-fencing attestation process could be improved by applying the revised regulatory compliance framework and governance risk and compliance system once available to minimise reliance on manual spreadsheets and processes.	Open There has been no change in the attestation process during the year.	Essential Energy is progressing with automating the quarterly attestations process through its governance, risk and compliance system. It expects this process to be completed during the 2025 calendar year.
PY PIO 2	Cost allocation and attribution The approved CAM document refers to Peoplesoft (Essential Energy's ERP from 1 July 2020 – 1 August 2021) and related financial controls within that system. Whilst the CAM document remains relevant in principle, the document should be updated to reflect the use of the Oracle accounting system and be made specific to post-ERP implementation process controls. In addition, we understand management is currently undertaking a review of its CAM and that this review is incorporating consideration of any changes that may be required as a result of the establishment of a contestable business (i.e. Intium).	Closed A formal review of the CAM was undertaken by management during the year ended 31 December 2024, concluding that no update to the CAM was necessary as the principles continue to be relevant and able to be applied to ongoing operations.	N/A – matter closed.



Ref	Recommendation	Status at 31 December 2024	Management's response
PY PIO 3	Branding and Cross-promotion Essential Energy's internal policies and procedures could be improved through the establishment of a formal process to review both Essential Energy's and Intium's social media channels and public websites for instances of cross-promotion.	Closed During the year ended 31 December 2024, management developed social media guidelines which include guidance on the acceptable use of social media.	N/A – matter closed.

Summary of performance improvement observations for the compliance period from 1 January 2024 to 31 December 2024

Ref	Observation	Recommendation
PIO 4	Physical security access data retention Essential Energy physical security system does not retain a historical record of physical access removal dates. The security system archives the date of access removal the day after access is removed.	We recommend Essential Energy maintain evidence of the timely removal of physical access for a period of time before archiving to support performance of compliance activities undertaken.