

2024 Annual Ring-Fencing Compliance Report

AER Ring-Fencing Guideline

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Statement of Compliance

Power and Water Corporation (**Power and Water**) considers that it has complied with its obligations under the AER Ring-Fencing Guideline for the 2024 calendar year, to the extent that those obligations have been derogated, waived, or otherwise modified by agreement with the AER to achieve the intent of the Guideline, as described in Section 1.2.3. While no new breaches were identified during the 2024 calendar year, Power and Water continues to have three non-compliances that are subject to no action letters from the AER (refer to Section 3), as reported in previous Annual Reports. These will continue to be reported as technical non-compliances until the Guideline is amended to empower the AER to grant waivers in respect of clauses 4.3.4 and 6.2.3.

1 Introduction

1.1 Purpose of this Report

This report presents Power and Water's Annual Ring-Fencing Compliance Report, prepared in accordance with Version 3 of the Australian Energy Regulator's (**AER**) Ring-Fencing Guideline - Electricity Distribution (**Guideline**).

Unless otherwise defined, terms used in this report have the meaning given to them in section 1.4 of the Guideline.

This report applies to the 2024 calendar year (**Reporting Period**) and has been developed in accordance with the Guideline's reporting obligations and outlines:

- the measures Power and Water has implemented to ensure compliance with its obligations under the Guideline (**Section 2**);
- any breaches of the Guideline by Power and Water, or which otherwise relate to Power and Water (**Section 3**);
- all other services provided by Power and Water in accordance with clause 3.1 of the Guideline (**Section 4**); and
- the purpose of all transactions between Power and Water and an affiliated entity (**Section 5**).

This report is accompanied by an independent assessment of Power and Water's compliance with the Guideline for the Reporting Period (**Attachment A**).

1.2 Application of Ring-Fencing in the Northern Territory (NT)

Power and Water is a multi-disciplined organisation, with part of its business operating as a DNSP regulated by the AER under the National Electricity (NT) Rules (**NT NER**), and a much broader spectrum of electricity services outside of the DNSP activity governed by the Northern Territory (**NT**) Utilities Commission under the *Electricity Reform Act 2000*.

As a result, Power and Water faces unique challenges as it is governed by dual ring-fencing instruments; the AER's Guideline, and the NT Utilities Commission and Electricity Ring-Fencing Code (**UC Code**).

Regarding Power and Water's obligations to the AER under the NT NER, the application of the Guideline is influenced by:

- derogations provided under clause 6.17.1B of the NT NER;
- waivers granted by the AER under Section 5 of the Guideline; and
- other compliance arrangements agreed upon with the AER.

These factors create a unique regulatory landscape for Power and Water in managing compliance across multiple frameworks.

1.2.1 Derogations

The derogations outlined in clause 6.17.1B of the NT NER modify – and in some cases remove – certain obligations for Power and Water, specifically:

- the legal separation of other services from its distribution services; and

- the functional separation of other distribution services or other electricity services from its distribution services.

Additionally, when applying the Guideline in the NT, the following definition adjustments must be considered:

- "non-distribution services" should be interpreted as "other services" (cl. NT NER 6.17.1B(b));
- "affiliated entities" (as referenced in cl. 3.2.1(a) of the Guideline) should be understood as "related electricity service providers" (NT NER 6.17.1B(c)); and
- "affiliated entities" (as referenced in cl. 6.2.1(B)(iv) of the Guideline) should be understood as "related electricity service providers" (NT NER 6.17.1B(d)).

1.2.2 Waivers

Section 5 of the Guideline permits DNSPs to apply for a waiver from obligations under Sections 3.1, 4.2 and 4.4.1(a) of the Guideline provided specific conditions are met.

Power and Water maintains a Waiver Register, available on its website, which records all waivers granted by the AER, including any variations.

Clause 4.2.4 – Office and Staff Register

During the Reporting Period, Power and Water was subject to an AER waiver exempting it from compliance with clause 4.2.4 (publication of the office and staff register). This waiver was in place until 30 June 2024, and reissued on 1 July 2024.

1.2.3 Other arrangements to achieve compliance

Clause 4.3.4 – Information Requests

In December 2022, Power and Water informed the AER that it was unable to fully comply with the information sharing register obligations under clause 4.3.4 of the Guideline.

As outlined in its letter to the AER dated 15 December 2022 (included in Schedule 3), Power and Water understands that:

- The AER does not have the authority under the Guideline to grant a waiver for this obligation.
- The AER has acknowledged that the Northern Territory energy market is unique, with Power and Water operating without competition as a market operator and facing minimal competition in other services (as detailed in **Schedule 2**).

Given these factors, the AER has agreed that Power and Water can meet the intent of clause 4.3.4—albeit with reduced detail and frequency—by providing high-level descriptions of information requests received under clause 4.3.3(a) in its annual compliance report.

Accordingly, a summary of the information requests received during the Reporting Period is presented in **Schedule 3**.

Clause 6.2.3 – Stand-alone Power Systems Register

On 29 November 2021, Power and Water formally requested a waiver from the AER regarding compliance with clause 6.2.3 of the Guideline, which requires distribution network service providers to maintain and keep a register of regulated stand-alone power systems.

On 30 May 2022, the AER responded, stating that:

- clause 6.2.3 cannot be waived under the Guideline;
- the AER considers it unlikely that requiring Power and Water to report on stand-alone power systems would provide any meaningful benefit to consumers or the market (as referenced in clause 3.1(d)(vii)); and
- the AER does not intend to pursue compliance action against Power and Water for non-compliance with clause 6.2.3 at this time.

However, the AER also noted that its position may change if market conditions evolve in a way that warrants a reassessment.

During the Reporting Period, Power and Water did not receive any indication from the AER that it was reconsidering its "no-action" position regarding compliance with clause 6.2.3.

2 Compliance Measures

Power and Water acknowledges that effective risk and compliance management is fundamental to strong governance and operational excellence. The organisation is committed to adopting a comprehensive, integrated approach that supports its strategic goals, fosters a culture of integrity, accountability, and ethical conduct, and ensures the proactive management of both strategic and operational risks.

Risk and compliance management is embedded within Power and Water's strategic and operational planning processes, ensuring that legal, regulatory, and commercial obligations are systematically identified, documented, and managed. These obligations are captured in an enterprise-wide compliance obligations register, with clear accountabilities assigned. Compliance is further strengthened through risk assessments and managed within the framework of Power and Water's risk management system.

The Compliance and Control Measures Power and Water has in place to meet its obligations under the Guideline are detailed in **Schedule 1**.

As part of its ongoing commitment to strengthening compliance with the Guideline, Power and Water implemented the following initiatives in addition to the measures and controls outlined in **Schedule 1**:

- **Training and Awareness Initiatives** – A mandatory ring-fencing training module is required for all new employees within Power and Water's electricity business. Additionally, all existing electricity business employees continue to receive compulsory annual ring-fencing training as part of the broader compliance management framework.
- **Executive Leadership Endorsement** – Power and Water's Executive Leadership Team reaffirmed its commitment to the Strategic Plan, which outlines key compliance objectives, including the priority goal of achieving zero new breaches for the Reporting Period.
- **Resolution of Outstanding Actions** – Demonstrating its dedication to compliance, Power and Water's Compliance Team, in collaboration with business unit leaders, successfully addressed all outstanding actions from previous Annual Compliance Reports, as detailed in Schedule 1.

This proactive approach reflects Power and Water's continuous efforts to refine and enhance its compliance practices.

3 Breaches

Clause 6.2.1(b) ii of the Guideline requires DNSPs to report any breaches of the Guideline by the DNSP, or which otherwise relate to the DNSP.

Power and Water confirms that no new breaches of the Guideline were identified during the Reporting Period, successfully achieving its strategic goal of having no new compliance breaches during this period.

However, the following three non-compliances continue to apply to Power and Water during the Reporting Period:

- Clause 4.3.4 – information requests; and
- Clause 6.2.3 – stand-alone power systems register; and
- Clause 6.1 – maintaining compliance.

As detailed in section 1.2.3 above, Power and Water advised the AER that full compliance with clauses 4.3.4 and 6.2.3 was not possible. However, the AER advised that it did not have the power under the Guideline to grant a waiver for these clauses.

To address this, the AER has adopted a ‘no action’ position regarding clause 6.2.3 and has agreed that Power and Water can meet the intent of clause 4.3.4 by publishing high level descriptions of information requests received as part of its annual compliance report.

Accordingly, these descriptions for the Reporting Period are set out in Schedule 3 of the Annual Report.

Due to the absence of a waiver mechanism under the Guideline, Power and Water will also be technically non-compliant with clause 6.1 (maintaining compliance).

This situation is expected to continue for future reporting periods until such time as the Guideline is amended to grant the AER power to issue waivers in respect of clauses 4.3.4 and 6.2.3.

Power and Water’s independent auditor (KPMG) has confirmed that the control measures that Power and Water have in place to comply with the modified approaches in respect of clauses 4.3.4, 6.1 and 6.2.3 during the Reporting Period are effective.

4 Other services

Power and Water is a multi-utility entity responsible for the transmission and distribution of electricity as well as the provision of water and sewerage services across the NT.

Power and Water:

- owns and operates regulated, unregulated, and isolated transmission and distribution network infrastructure;
- acts as the system controller in the NT and is responsible for real time operations, operations planning, power system technical assessments, incident reviews, and operational and technical regulatory reporting for the market;
- provides water services to 18 major and minor urban centres and 72 remote communities across the NT, operating and maintaining water and sewerage mains; and
- through its not-for-profit subsidiary, Indigenous Essential Services Pty Ltd (**IES**), Power and Water delivers electricity, water, and sewerage services to remote NT communities. IES also facilitates

infill and headworks for major projects under the Remote Housing Program in collaboration with the Department of Territory Families, Housing and Communities.

Schedule 2 provides a detailed breakdown of:

- the services provided by Power and Water as a multi-utility entity;
- the classification of distribution services applied by the AER during the current regulatory period, reflecting the classification set out in the AER's Framework and Approach and confirmed in its Final Decision—which Power and Water accepted through the determination process;
- the likely regulatory treatment of other services provided by Power and Water (both electricity-related and non-electricity services). While the AER does not classify services it does not regulate, the NT Guideline defines these services for ring-fencing purposes; and
- the primary operational areas involved in delivering contestable electricity services and those associated with the provision of non-electricity services.

This comprehensive framework ensures Power and Water operates within a structured regulatory and operational environment while delivering essential services across the NT.

5 Transactions with RESPs

Clause 6.2.1(b) iv requires Power and Water to report the purpose of all transactions with its RESPs.

Under the Guideline, the definition of contestable electricity services includes both other distribution services and other electricity services. As a result, any lines of business or affiliated entities providing these services are classified as RESPs.

However, Power and Water's direct control services (standard control services and alternative control services) and non-electricity services (e.g., water services) are excluded from the definition of contestable electricity services and are therefore not classified as RESPs.

Given the above, Power and Water's transactions with RESPs under clause 6.2.1(b)(iv) are primarily related to its interactions with Indigenous Essential Services Pty Ltd (IES), a not-for-profit subsidiary of Power and Water.

Transactions between Power and Water and IES are managed through work orders and purchase requisitions, which:

- are processed via the Enterprise Resource Platform (ERP) system; and
- contain chart of accounts values that identify the transacting entity.

Transactions are categorised within Power and Water's systems by cost types, including Labour; Material; Contractor; Maintenance and transmission; Administration; Fleet; Network Overheads; Corporate Overheads; Dividend Payment; or Other.

This structured categorisation enables Power and Water to maintain compliance with the Guideline by:

- accurately recording all activities and transactions with RESPs in its internal accounting systems, ensuring they can be tracked and reported;

- applying appropriate cost allocation and attribution between distribution services and other services (electricity and non-electricity);
- ensuring non-discriminatory practices by not favouring any RESP in financial or operational matters; and
- protecting ring-fenced information, ensuring confidentiality and restricting the disclosure and sharing of information with RESPs.

By adhering to these processes and controls, Power and Water ensures compliance with the AER's Ring-Fencing Guideline while maintaining transparency and accountability in its financial transactions with RESPs.

Schedule 1 - Compliance controls and measures

Power and Water's has identified all applicable obligations that apply to it under the Guideline and assigned to responsibility for compliance management to the Accountable and Responsible Managers who have operational control over the relevant activity or work area for each applicable obligation.

Where controls exist, they have been assigned to applicable obligations in the Guideline to which they primarily apply. In the absence of specific and/or documented controls in place to address Guideline requirements improvement measures have been identified and are outlined below.

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
3.1 Legal separation		Power and Water has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable		Not applicable
3.2.1 Separate accounts	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> • Cost Allocation Methodology (CAM) as approved by the AER. • Cost Allocation Management Program and Principles. • Accounting and Cost Allocation Procedure. • AER Ring-Fencing Information Sharing Protocol published on the website. <p>Detective control</p> <ul style="list-style-type: none"> • Cost Allocation Model reviewed and validated annually by an external regulatory consultant. 	Effective	There are no open improvement measures related this obligation.	Compliant
3.2.2 Cost allocation and attribution	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> • Cost Allocation Methodology (CAM) as approved by the AER. • Cost Allocation Management Program and Principles. • Accounting and Cost Allocation Procedure. • AER Ring-Fencing Information Sharing Protocol published on the website. <p>Detective control</p> <ul style="list-style-type: none"> • Cost Allocation Model reviewed and validated annually by an external regulatory consultant. 	Effective	There are no open improvement measures related this obligation.	Compliant
4.1 Obligation to not discriminate (B and C)	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p>	Effective	There are no open improvement measures related this obligation.	Compliant

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> • AER Ring Fencing Plan for 2023 to 2026, which sets out the strategic approach for managing Power and Water's compliance with the AER Guidelines for the 2023 to 2026 reporting periods. • PWC's AER Ring-Fencing website (external facing). • PWC's AER Ring-Fencing Guideline Fact Sheet (external facing). • Mandatory online training on AER Ring-Fencing in ELMO system for all new employees working in the electricity business of Power and Water and on annual basis thereafter as part of the Power and Water's overall compliance management system. • AER Ring-Fencing Explanatory Guide (internal facing) that includes the assessment of contestable services. • AER Ring-Fencing Guideline Fact Sheet (internal facing). • Standard Conditions of Contract Suite with contract clauses to ensure compliance with the Guideline. • Contracts with external service providers that include standard terms and conditions. • Procurement templates approved by Legal for the use of all procurement activities. • The enterprise electronic document management system, Content Manager, enforces appropriate Ring-fencing access restrictions for electricity business employees to view, search for, or edit records/information appropriate for their role. <p>Detective controls</p> <ul style="list-style-type: none"> • A peer review process was conducted during the Reporting Period to ensure the segregation of duties in procurement activities, reinforcing transparency and compliance with internal controls. 			
4.2.1 Physical separation / co-location	Not applicable – derogation in place	Power and Water has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable		Not applicable
4.2.2 Staff sharing	Not applicable – derogation in place	Power and Water has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable		Not applicable
4.2.3 Branding and cross-promotion	Not applicable – derogation in place	Power and Water has been provided with derogation in relation to this obligation under 6.17.1B (a) of the NT NER.	Not applicable		Not applicable

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
4.2.4 Office and staff registers	<p>Not applicable – waiver in place</p> <p>Power and Water applied to the AER for an extension of the waiver to 30 June 2034.</p>	Power and Water has been granted a waiver in relation to this obligation until 30 June 2034.	Not applicable	<p>Note: obligation waived to 30 June 2034</p>	Not applicable
4.3.1 Protection of ring-fenced information	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> • AER Ring Fencing Plan for 2023 to 2026, which sets out the strategic approach for managing Power and Water's compliance with the AER Guidelines for the 2023 to 2026 reporting periods. • AER Ring-Fencing website (external facing). • AER Ring-Fencing guidelines Fact Sheet (external facing). • Mandatory online training on AER Ring-Fencing in the ELMO system for all new employees working in the electricity business of Power and Water and on annual basis thereafter as part of the Power and Water's overall compliance management system. • AER Ring-Fencing Information Sharing Protocol published on the website. • Requests for Information for related electricity service providers (RESP) procedure. • Standard Conditions of Contract Suite with contract clauses to ensure compliance with the Guideline. • Contracts with external service providers that include standard terms and conditions. • Procurement templates approved by Legal for the use of all procurement activities. • Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Enterprise Electronic Document Management System (refer above) with access controls around confidential information. • Established process for Data delivery during settlements. • Metering team responsible for the Security of metering data procedure which includes, password protection for interval meters, System for meter reads and secure front end. • Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy, the largest electricity retailer in the NT. 	Requires Improvement	<p>Power and Water's improvements to control effectiveness include</p> <ul style="list-style-type: none"> • Implementing Meter to Cash project to achieve visibility and audit trail, and assist with improvement of systems. • Implementing a Meter Data Management system (as part of the Meter to Cash project) which aims to improve automation and reduce manual data entry. • Conducting a review and ensure Metering team's compliance with Protection of confidential information and Disclosure of information clauses, to the extent of Metering team's accountability. • Implement the Market Interaction Enablement program simultaneously with the Meter to Cash project, which once complete will require all information to pass through this program. 	Compliant

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> Customer Experience and Operations on boarding process which includes a briefing on ring-fencing. ICT System Retail management system with access controls <p>Detective controls</p> <ul style="list-style-type: none"> Annual Metering Management Operational Audit program which schedules field and desktop audits of controls relating to Ring-fenced information. Electronic Document Management System user access is reviewed in business as usual practices which includes checks by Records and Information Management Unit such as the Daily movement reports from various systems for cross verification of the appropriateness of changes in user access rights. Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access reviews of Retail Management System as part of their business as usual practices. 			
4.3.2 Disclosure of information	<ul style="list-style-type: none"> Controls have been implemented, risk assessed and reviewed periodically for effectiveness. 	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> AER Ring Fencing Plan for 2023 to 2026, which sets out the strategic approach for managing Power and Water's compliance with the AER Guidelines for the 2023 to 2026 reporting periods. AER Ring-Fencing website (external facing). AER Ring-Fencing Guidelines Fact Sheet (external facing). Mandatory online training on AER Ring-Fencing in ELMO system for all new employees working in the electricity business of Power and Water and on annual basis thereafter as part of the Power and Water's overall compliance management system. AER Ring-Fencing Information Sharing Protocol published on the website. Requests for Information for related electricity service providers (RESP) procedure. Standard Conditions of Contract Suite with contract clauses to ensure compliance with the Guideline. Contracts with external service providers that include standard terms and conditions. Access to metering data procedure. Third Party Access request for data procedure. Delivery of metering data procedure. Records and Information Management Function responsible for the protection of confidential information administering an 	Requires Improvement	<p>Power and Water's improvements to control effectiveness include</p> <p>Implement the Market Interaction Enablement program simultaneously with the Meter to Cash project, which once complete will require all information to pass through this program.</p> <p>A review of Business to Business procedures to include retailers other than Jacana Energy will be undertaken as part of broader Capability Uplift project.</p>	Compliant

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<p>Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information.</p> <ul style="list-style-type: none"> Business to Business Procedure which outlines interactions between Power and Water and Jacana. ICT System Retail management system with access controls <p>Detective controls</p> <ul style="list-style-type: none"> Annual Metering Management Operational Audit program which schedules field and desktop audits of controls relating to Ring-fenced information. Electronic Document Management System user access is reviewed in business as usual practices which includes checks by Records and Information Management Unit such as the Daily movement reports from various systems for cross verification of the appropriateness of changes in user access rights. Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access reviews of Retail Management System as part of their business as usual practices. 			
4.3.3 Sharing of information	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> AER Ring Fencing Plan for 2023 to 2026, which sets out the strategic approach for managing Power and Water's compliance with the AER Guidelines for the 2023 to 2026 reporting periods. AER Ring-Fencing website (external facing). AER Ring-Fencing guidelines Fact Sheet (external facing). Mandatory online training on AER Ring-Fencing in ELMO system for all new employees working in the electricity business of Power and Water and on annual basis thereafter as part of the Power and Water's overall compliance management system. AER Ring-Fencing Information Sharing Protocol published on the website. Requests for Information for related electricity service providers (RESP) procedure. Standard Conditions of Contract Suite with contract clauses to ensure compliance with the Guideline. Contracts with external service providers that include standard terms and conditions. 	Requires Improvement	<p>Power and Water has 2 planned improvements to control effectiveness listed above 4.3.2 that also improve controls for this obligation.</p>	Compliant

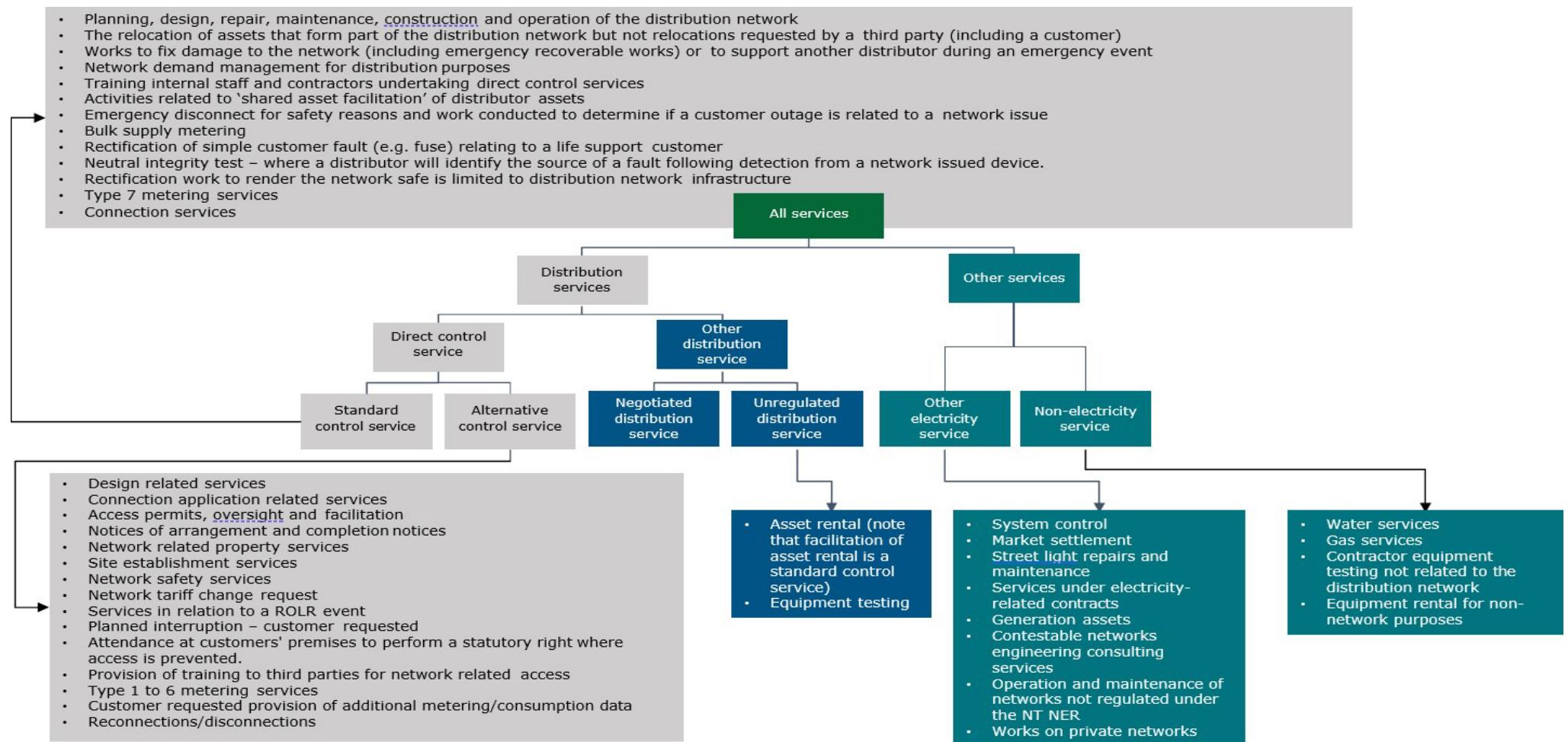
Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> Metering team responsible for the access to metering data procedure, third party access request for data procedure and delivery of metering data procedure. Business to Business Procedure which outlines interactions between Power and Water and Jacana. ICT System Retail management system with access controls. <p>Detective controls</p> <ul style="list-style-type: none"> Annual Metering Management Operational Audit program which schedules field and desktop audits of controls relating to Ring-fenced information. Electronic Document Management System user access is reviewed in business as usual practices which includes checks by Records and Information Management Unit such as the Daily movement reports from various systems for cross verification of the appropriateness of changes in user access rights. Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access reviews of Retail Management System as part of their business as usual practices. Customer Experience and Operations Billing Specialists responsible for checking information disclosed. 			
4.3.4 Information register	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> AER Ring-Fencing website (external facing). Mandatory online training on AER Ring-Fencing in ELMO system for all new employees working in the electricity business of Power and Water and on annual basis thereafter as part of the Power and Water's overall compliance management system. AER Ring-Fencing Information Sharing Protocol published on the website. <p>The overarching documents that govern the compliance obligations including:</p> <ul style="list-style-type: none"> Obligation Register. Compliance Obligation Management Procedure CONTROL0414. Compliance Attestation Procedure CONTROL0415. 	Effective to the extent that it relates to the modification to compliance as agreed with the AER.	<p>There are no open improvement measures related to this obligation.</p> <p>It is Power and Water's understanding that:</p> <ul style="list-style-type: none"> as this obligation cannot be waived by the AER under the Guideline; and the AER has acknowledged that the energy market in the Northern Territory is unique and that Power and Water faces no competition in its role as market operator, and very limited competition in other services (as defined in Schedule 2), <p>the AER has agreed that Power and Water will still achieve the intent of clause 4.3.4 (albeit with less detail and regularity) by publishing high level descriptions of information requests received under clause 4.3.3(a) as part of its annual compliance report.</p> <p>Please refer to Schedule 3 for further information.</p>	Non – Compliant but this is subject to an agreed modification to compliance with the AER.

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
4.4 Service providers	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> Standard conditions of contract suite with contract clauses to ensure compliance with the Guideline Contracts with external service providers that include standard terms and conditions AER Ring-Fencing website (external facing) AER Ring-Fencing guidelines Fact Sheet (external facing) Mandatory online training on AER Ring-Fencing in ELMO system for all new employees working in the electricity business of Power and Water and on annual basis thereafter as part of the Power and Water's overall compliance management system AER Ring-Fencing Explanatory Guide (internal facing) outlines that the assessment of contestable services AER Ring-Fencing Guideline Fact Sheet (internal facing) Procurement templates approved by Legal for the use of all procurement activities. The enterprise electronic document management system, Content Manager, enforces appropriate Ring-fencing access restrictions for electricity business employees to view, search for, or edit records/information appropriate for their role. <p>Detective controls</p> <ul style="list-style-type: none"> A peer review process was conducted during the Reporting Period to ensure the segregation of duties in procurement activities, reinforcing transparency and compliance with internal controls. 	Effective	There are no open improvement measures related this obligation.	Compliant
5 Waivers	<p>Controls have been implemented, risk assessed and reviewed periodically for effectiveness.</p> <p>The AER grant an extension of the waiver under clause 4.2.4 to 30 June 2034.</p>	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> A waiver register and procedure is in place. Currently, Power and Water have active one waiver in place for clause 4.2.4. A Ring-Fencing Waiver Register outlines all waivers and is published on the Power and Water's ring-fencing webpage. A Ring-Fencing Waiver Register procedure outline the process for maintaining the register. The Waiver Register was reviewed during the Reporting Period. 	Effective	There are no open improvement measures related this obligation.	Compliant

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
6.1 Maintaining compliance	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> • Compliance Obligation Register that outlines controls including procedures for maintaining compliance with the Guideline against each area of responsibility. • Compliance training with obligation owners delivered by the Compliance team on how to manage their allocated obligations. • As part of the on-boarding process, all new employees are required to complete training on Ring-Fencing obligations via the ELMO System and completion rates monitored and a regular report is provided to senior management which details completion rates, training types and outstanding training. • AER Ring Fencing Plan for 2023 to 2026, which sets out the strategic approach for managing Power and Water's compliance with the AER Guidelines for the 2023 to 2026 reporting periods <p>Detective controls</p> <ul style="list-style-type: none"> • Periodic compliance review process of Guideline obligations, outlined in the compliance obligation management procedure. • Periodic compliance attestation process of current levels of compliance and control effectiveness outlined in the compliance attestation procedure. <p>Corrective controls</p> <p>Non-compliance reporting procedure and system that captures and monitors reported non-compliance, outlines steps for reporting and requirements for investigation and corrective action.</p>	Effective to the extent that it relates to the modification to compliance as agreed with the AER.	There are no open improvement measures related this obligation.	Non-compliant, but only to extent that Power and Water is not able to comply with clause 4.3.4 and clause 6.2.3 and AER is unable to grant waivers to Power and Water from the obligation to comply with these clauses.
6.2 Compliance reporting	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Power and Water has implemented the following:</p> <p>Preventative controls</p> <ul style="list-style-type: none"> • Compliance reporting template designed to report compliance with the Guideline in line with the compliance reporting best practice manual. • Compliance Obligation Register that outlines controls, control effectiveness and levels of compliance for each guideline element against each area of responsibility. This register is used to produce reports on levels of compliance and control effectiveness. <p>Detective controls</p>	Effective	There are no open improvement measures related this obligation.	Compliant

Guideline Reference	Status of Compliance	Current Controls	Overall Control Effectiveness	Improvement measures in progress	Overall Compliance Status
		<ul style="list-style-type: none"> Periodic compliance review process of Guideline obligations, outlined in the Compliance Obligation Management Procedure to determine levels of compliance and control effectiveness for reporting. <p>Corrective controls</p> <ul style="list-style-type: none"> Non-compliance reporting procedure and system that captures and monitors reported non-compliance for the purpose of reporting to management and the AER. 			
6.2.3 Regulated stand-alone power system reporting requirements	During the Reporting Period, Power and Water has not received any notification from the AER that it was re-assessing its “no-action” position in respect of Power and Water’s compliance with clause 6.2.3.	<p>Power and Water have engaged with AER and in November 2021 submitted a request for a waiver from compliance with the obligation. On 30 May 2022, the AER stated that “[u]nder the Guideline, there is no provision for the remaining clause, 6.2.3 (reporting on regulated stand-alone power systems), to be waived.”</p> <p>The AER further stated that it “<u>consider[s] it unlikely for there to be any benefit to consumers or the market in requiring Power and Water Corporation to report on stand-alone power systems (clause 3.1(d)(vii))</u>” and that it “<u>do[es] not intend to pursue compliance action against Power and Water Corporation for being in breach of their obligations under this clause at this time</u>”. It is also noted that the AER stated that its “<u>position may change if it is the AER’s view that changes in the market warrant a re-assessment of the situation</u>”.</p> <p>Preventative controls</p> <ul style="list-style-type: none"> Proactive engagement with the AER around change in obligations Letter of no action from AER 	Effective to the extent that it relates to the modification to compliance as agreed with the AER.	<p>Note: Power and Water received a ‘No action’ letter from AER on 30 May 2022.</p> <p>There are no open improvement measures related this obligation.</p>	Non-compliant but Power and Water have received a ‘no action’ letter from AER
6.4 Complaints and investigations	Controls have been implemented, risk assessed and reviewed periodically for effectiveness.	<p>Corrective controls</p> <ul style="list-style-type: none"> Regulation, Economics and Pricing engage regularly with the AER and are responsible for responding to a complaint or concern the AER raises about compliance with this Guideline. The non-compliance reporting procedure is applied in situations where the complaint or concern results in a breach. 	Effective	There are no open improvement measures related this obligation.	Compliant

Schedule 2 - Existing Power and Water service classification and Guideline treatment



Schedule 3 - Information requests

The embedded document outlines Power and Waters approach to compliance with the information sharing register obligations, under clause 4.3.4 of the AER's ring-fencing guideline.



Ltr to AER
notification of Breac



Record number: D2022/114893
Container number: F2022/1100

Rowena Park
General Manager
Compliance and Enforcement
Australian Energy Regulator
By Email: ringfencing@aer.gov.au

Dear Ms Park

AER Ring-fencing Guideline - breaches of reportable obligations

I refer to our letter of 3 October 2022, discussions with Australian Electricity Regulator (AER) senior offices on 18 October, and subsequent correspondence from AER senior staff on 10 November.

We would like to thank the AER for its support of a pragmatic approach to Power and Water's compliance with the information sharing register obligations under clause 4.3.4 of the AER's Ring Fencing Guideline (the **Guideline**). The AER has acknowledged that the energy market in the Northern Territory is unique, and that Power and Water faces no competition in its role as market operator, and very limited competition in other services. Provided that Power and Water allow high level descriptions of the information to be published in its annual compliance reports, the AER has agreed that we may still achieve the intent of clause 4.3.4, albeit with less detail and regularity.

That said, it is recognized that the obligation to publish information requests on the information register pursuant to clause 4.3.4 cannot be waived, and that the above agreed position will likely constitute an ongoing breach of clause 4.3.4. Accordingly, and pursuant to clause 6.3 of the Guideline, PWC hereby provides notice that Power and Water has not published the details of the requests received under 4.3.3(a) of the Guideline and included at Attachment A.

As has been discussed with AER officers, we have not published the details of the information requests as required by clause 4.3.4(b) of the guideline due to the confusion likely to be created. Power and Water proposes to publish high level descriptions of the requests as part of its annual compliance reports which we consider appropriately meets the intent of clause 4.3. As this will be an ongoing breach, it will be identified in our annual ring fencing compliance report, however we do not intend to notify the AER again of the breach unless there is a material change in circumstances.

Further details of the breach in the form required by the AER Ring-fencing Guideline breach reporting template at Attachment B.

Yours sincerely

Jason Howe

Executive General Manager Customer Strategy and Regulation

/ J December 2022

Indigenous Essential Services Pty Ltd

INFORMATION DISCLOSURE REQUEST

Australian Energy Regulator's

Electricity Ringfencing Guideline- Distribution (AER Ring-fencing Guideline)

Clause 4.3.2(h)

1. Power and Water Corporation (ABN) (PWC) is a Government Owned Corporation under the Northern Territory Government Owned Corporations Act 2001.
2. PWC provides a range of electricity, water, sewerage and gas services in the Northern Territory.
3. When providing services relating to or connected with the distribution of electricity to customers connected to the **Local Electricity Systems**, PWC is a *Distribution Network Service Provider* (DNSP) for the purpose of the AER Ringfencing Guideline.
4. In this notice, PWC in its capacity as a DNSP is referred to as **PWC DNSP**.
5. Indigenous Essential Services Pty Ltd (ABN 50 105 269 636) "IES" is a subsidiary of PWC and is consequently an *affiliated entity of PWC DNSP*
6. IES carries out activities and provides a range of services to remote communities within the Northern Territory including the provision of electricity services to remote areas of the Northern Territory which are not part of the **Local Electricity Systems** and which are *contestable electricity services* for the purposes of the AER Ringfencing Guideline.
7. Consequent upon paragraph 6, IES is or has the potential to be a *Related Electricity Service Provider* (RESP) of PWC DNSP, for the purposes of the AER Ringfencing Guideline.
8. PWC DNSP holds information, including information relating to the provision of services by IES, which is *ringfenced information* for the purposes of the AER Ringfencing Guideline and which must be kept confidential by PWC DNSP unless a RESP has requested PWC DNSP to disclose that information to the RESP. The nature and scope of this information is broadly described in Annexure A
9. IES, in its capacity as a RESP, requests PWC DNSP to disclose on an ongoing basis the information referred to in paragraph 8 which is relevant to or related to the provision of services by, and or the activities of, IES.

Signed by:



Jenifer Moore, Senior Manager Enterprise Strategy, Planning and Strategic Projects

For and on behalf of IES Pty Ltd

Dated 14/12/22

Accepted and Approved for disclosure

Djuna Pollard, Chief Executive Officer

PWC DNSP

Dated

Use of Terms:

All italicised terms in the request have the same meaning as in the AER Ring-fencing Guideline.

Local Electricity Systems means the Local Electricity Systems declared for the purpose of section 9 of the *NATIONAL ELECTRICITY (NORTHERN TERRITORY) (NATIONAL UNIFORM LEGISLATION) ACT 2015* and set out in Schedule 2 to that Act.

Annexure A

Information necessary for the provision of reliable electricity services to remote communities throughout the Northern Territory. The Information requested is information which relates to and enables the following, non-exclusive activities:

- a. the effective management of the assets including asset optimisation and repair and
- b. maintenance programs taking into account whole of life costs;
- c. the efficient financial management, through a coordinated approach to least cost
- d. provision of Services ensuring value for money consideration, works programming and repair and
- e. maintenance programs;
- f. to support regional development; and
- g. to support Aboriginal employment and training.

Power and Water Corporation Related Electricity Service Providers

INFORMATION DISCLOSURE REQUEST

Australian Energy Regulator's

Electricity Ring-fencing Guideline- Distribution (AER Ring-fencing Guideline)

Clause 4.3.2(h)

1. Power and Water Corporation (ABN) (PWC) is a Government Owned Corporation under the Northern Territory *Government Owned Corporations Act 2001*.
2. PWC is a multi-utility which provides a range of electricity, water, sewerage and gas services in the Northern Territory.
3. When providing services relating to or connected with the distribution of electricity to customers connected to the **Local Electricity Systems**, PWC is a *Distribution Network Service Provider* (DNSP) for the purpose of the AER Ring-fencing Guideline.
4. In this notice, PWC in its capacity as a DNSP is referred to as **PWC DNSP**.
5. To deliver the range of services identified on paragraph 2, Power and Water has established the Business units specified in Column 1 of the Table in Annexure A (the Table) which carry out the functions specified in Column 2 of the Table, through the activities described in Column 3 of the Table.,
6. Consequent upon paragraph 5, the business units are, or have the potential to be a *Related Electricity Service Provider* (RESP) of PWC DNSP, for the purposes of the AER Ring-fencing Guideline.
7. PWC DNSP holds information, including information relating to functions and activities referred to in paragraph 5s the Table, which is ring fenced information for the purposes of the AER Ring-fencing Guideline and which must be kept confidential by PWC DNPS unless a RESP has requested PWC DNSP to disclose that information to the RESP. The nature and scope of this information is broadly described in Column 4 of the Table in Annexure A.
8. Each Business Unit specified in the Table in its capacity as a RESP, requests PWC DNSP to disclose on an ongoing basis the information referred to in paragraph 7 which is relevant to or related to the provision of services by, and or the activities of the relevant RESP.

Signed by:


Jason Howe Executive Manager Customer Service and Regulation
For and on behalf of Customer Strategy and Regulation

14/12/22

[REDACTED]

Michael Besselink, Executive General Manager Core Operations
For and on behalf of Core Operations

14/12/2022

[REDACTED]

[REDACTED]

Stephen Vlahovic Executive General Manager Power Services
For and on behalf of Power Services

14/12/2022

Accepted and Approved for disclosure:

Djuna Pollard, Chief Executive officer

PWC DNSP

/ /

Use of Terms:

All italicised terms in the request have the same meaning as in the AER Ring-fencing Guideline.

Local Electricity Systems means the Local Electricity Systems declared for the purpose of section 9 of the *NATIONAL ELECTRICITY (NORTHERN TERRITORY) (NATIONAL UNIFORM LEGISLATION) ACT 2015* and set out in Schedule 2 to that Act.

Annexure A

Table

Business Unit	Function	Business Unit Activity	Nature and scope of Information
Customer Strategy and Regulation	Customer service and operations	<ul style="list-style-type: none"> Customer service Commercial services Business and customer support System and project 	<p>Network Tariff Code by Postcode and by TNI Zone Substation</p> <p>Aggregated customer consumption profiles</p> <p>All Types of non public, non-personal tariff information</p> <p>Call recordings between Power and Water and their electricity customers</p> <p>Attestation compliance records that include controls</p>
Strategy, Planning and Strategic Project	Business planning	<ul style="list-style-type: none"> Marketing and products 	
Core Operations	System Control	<ul style="list-style-type: none"> Real time operations SCADA and communications Operations and Planning Power Systems and Technical Assessments Fault Calls Emergency Management Incident Reviews Asset Access a Operational and Technical Reporting 	<p>Meter numbers , type reading</p> <p>Customer electricity consumption data</p> <p>Transfer pricing data?</p> <p>Network asset loadings downstream of zone substations</p> <p>Work orders (can we be more specific)</p> <p>Time sheets for accessing customer electricity assets</p>
	Remote Services	<ul style="list-style-type: none"> Manage networks Switching instruments Outage, event, and defect recording 	

Power Services	NT Electricity Market Strategy and Planning Business Management Asset Management Service Delivery	<ul style="list-style-type: none"> Market settlement Development and planning Program delivery Engineering Admin & Inventory Management and Project accountant Work practices facilitation Network planning and design Business improvement Job planning and scheduling Field services network performance and underground Test and protection, substation and metering Field services network performance and underground Remote electricity services, for generation and electrical <p>The exploration on methods of analysing electric vehicle charging data Information to support applications for connection of batteries Summary of Distribution Energy Resource's (DER) Forecast All types of non-public network quality information</p> <p>Network asset loading downstream of zone substations Customer and consumer numbers PV system applications</p>
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Attachment A – Independent Assessment