

AusNet



Electricity Distribution Ring-fencing Guideline

2025 Annual Compliance Report

Wednesday, 29 April 2026

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1. Executive summary

This document is the annual compliance report (**Report**) for calendar year 2025 (**2025**) under the Australian Energy Regulator's (**AER**) Ring-fencing Guideline Electricity Distribution (**Guideline**) for AusNet Electricity Services Pty Ltd (**AES**).

In the Report, a reference to AusNet is a reference to the distribution network service provider (**DNSP**) and its related entities.

In line with the Guideline, the Report is accompanied by an assessment of compliance by a suitably qualified independent authority, Ernst & Young (**EY**), titled Independent Assurance Report on Annual Distribution Ring-fencing Compliance, dated 29 April 2026.

1.1. Purpose

The Report is prepared in accordance with clause 6.2.1 and 6.2.2 of the Guideline. The Report identifies and describes the four reporting requirements outlined at Table 1. During 2025, the following versions of the Guideline applied:

- Version 3 – 1 January 2025 to 27 February 2025; and
- Version 4 – 27 February 2025 to 31 December 2025.

1.2. Reporting requirements

The four reporting requirements and AusNet's assessment are summarised in the table below.

Table 1: Reporting requirements

Reporting requirements	AusNet's assessment
1. Measures AusNet has taken to meet compliance with its obligations under the Guideline.	An overview of compliance measures is included at Appendix 1 of the Report. During 2025, AusNet updated its compliance measures to incorporate: <ul style="list-style-type: none">• changes in the organisational structure and services provided by various teams; and• AusNet's response to recommendations in EY's 2024 assessment of compliance.¹
2. Any breaches of the Guideline by AusNet.	A breach management process exists to manage and treat potential or actual breaches. No breaches of the Guideline were identified or reported in 2025.
3. All other services provided by AusNet in accordance with clause 3.1 of the Guideline.	AES does not deliver other services, except to the extent permitted under clause 3 of the Guideline, or under and in accordance with waivers granted under the Guideline.
4. Purpose of all transactions between AusNet and affiliated entities.	The purpose of all transactions between AES and affiliated entities is included at Appendix 2 of the Report and demonstrates that AES has applied its Cost Allocation Methodology (CAM) to prevent cross-subsidies.

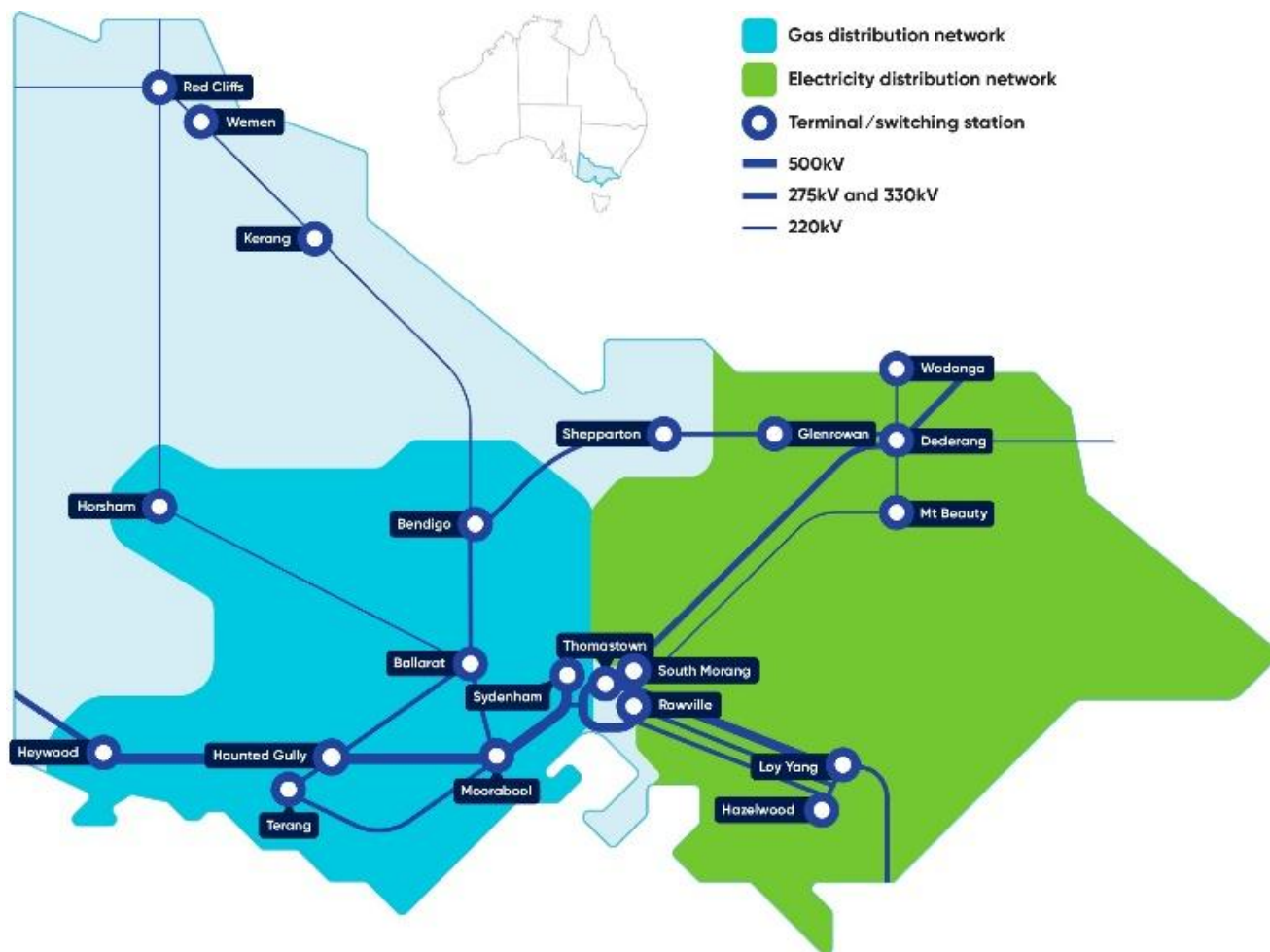
¹ AER Ring-fencing Guideline Electricity Distribution Compliance Report, April 2025, page 6.

2. About AusNet

2.1 Overview

AusNet owns and operates Victoria's electricity transmission network, one of five electricity distribution networks and one of three gas distribution networks. We have a dedicated team of over 1,700 employees who serve around 1.6 million customers. AusNet's distribution network supplies electricity to 802,000 customers across 80,000 square kilometres (Figure 1). The distribution network comprises more than 39,000 kilometres of overhead powerlines, 418,400 power poles and 90,000 streetlights.

Figure 1: AusNet's distribution network



2.2. Ownership and structure

AES is a subsidiary of AusNet, which is owned by Australian Energy Holdings No 4 Pty Ltd, a company controlled by Brookfield Asset Management.

AusNet is managed and overseen by an Executive Leadership Team and the AusNet Board of Directors. AusNet undertook a major organisational restructure from May to October 2024, moving from a 'functional' operating model to a 'Line of Business' (**LoB**) model, with many business units changing reporting lines and responsibilities (Figure 2).

Figure 2: AusNet's LoBs



The LoBs are supported by five enabling functions:

- People and Safety;
- Group Operations;
- Digital and Technology;
- Finance, Strategy and Legal; and
- Compliance, Risk and Corporate Affairs

(Enabling Functions).

3. Compliance measures

Clause 6.2.1 (b) (i) of the Guideline requires DNSPs to report on 'the measures the DNSP has taken to ensure compliance with its obligations under this Guideline'.

An overview of all relevant compliance measures is included at **Appendix 1** of the Report. This section describes AusNet's compliance framework for ring-fencing and any changes to compliance measures in 2025.

3.1. Compliance Directive and Ring-fencing Policy

AusNet's compliance framework for ring-fencing is governed by AusNet's Compliance Directive and the Ring-fencing Policy. AusNet's Compliance Directive outlines minimum requirements and responsibilities for managing compliance with regulatory requirements, including:

- the roles and responsibilities for compliance management;
- AusNet's Compliance Management System (**CMS**), including accountability, compliance risk management, compliance monitoring and assurance, breach reporting and management of regulatory change; and
- compliance governance.

AusNet's Board approves the Compliance Directive and demonstrates a commitment to compliance through active oversight of compliance frameworks and performance. The Board Audit and Risk Committee (**ARC**) is responsible for considering, and reporting to the Board, on the Compliance Directive.

The Ring-fencing Policy outlines the obligations and requirements under the Ring-fencing Guidelines. The Ring-fencing Policy is required to be applied in conjunction with the Compliance Directive.

Both the Compliance Directive and the Ring-fencing Policy apply to all AusNet employees, contractors and third-party providers.

As part of the CMS, ring-fencing obligations are tracked and assigned to obligation owners. Obligation owners are responsible for embedding compliance with ring-fencing obligations in business policies, processes and procedures i.e., compliance measures. Obligation owners/business process owners periodically attest to the effectiveness of the applied compliance measures.

The Compliance Directive sets out the process for employees, including contractors, to report potential or actual breaches of regulatory obligations.

3.2. Key changes during 2025

3.2.1. Organisational restructure

In early 2025, following an organisational restructure in late 2024, AusNet reviewed and updated the list of staff that are involved in the provision of direction control services and:

- because of the nature of their role, are required to be ring-fenced under the Guideline (see clauses 4.2.2(a) and (b) of the Guideline); and
- because of the nature of their role, are not required to be ring-fenced and are capable of being used to assist in the provision of other services, including contestable electricity services (referred to as "shared," see exceptions under clause 4.2.2(b) of the Guideline).

The review included assessing new team structures and roles and responsibilities. As a result of the review, AusNet updated the list of ring-fenced staff and the Staff and Site Sharing Register. Changes to the Staff and Site Sharing Register are outlined below.

- Changes to staff who are classified as "Ring-fenced – Distribution" based on the formation of the Distribution LoB and creation of new roles that are dedicated to the provision of direct controls services.
- Changes to DFN's Distributed Energy Team to classify some teams from "Shared" to "Ring-fenced – From Distribution," due to the change in the services they provide and with the engineering services no longer being shared between AusNet and Mondo, as a result of the LoB restructure.

- The Technical Services Team, which provides field operations and maintenance services across each of the LoBs, as well as to third parties, was clarified as a “Shared” team. Please see section 3.2.2 of the Report for an explanation of this change.

During 2025, AusNet also updated its office arrangements to accommodate changes in team structures and in increase in personnel numbers. This has not resulted in a change of ring-fenced or shared office arrangements.

3.2.2. AusNet’s response to EY’s 2024 recommendation

In EY’s 2024 assessment of compliance, it recommended that AusNet review expiring statement of works (**SoW**) between AES and its related entities, to subject these services through formal market testing/benchmarking before granting any further extensions to these SoWs.² As part of this recommendation, EY noted that no work was performed during 2024 within the scope of these SoWs.

During 2025, AusNet reviewed the historical SoWs to determine:

- whether the SoWs remain relevant following the organisational restructure and changes in services provided by AusNet; and
- for SoWs that remain relevant, the SoW expiration date and options for market testing/benchmarking of the services within the SoW.

Technical Services SoW

The review found that the historical SoWs for the provision of “technical services” were used to document the activities performed by an internal shared services team to individual LoBs such as the Transmission, Distribution and Gas LoBs.

The SoWs were prepared for internal clarity around scope, responsibilities and cost allocation only. Costs associated with these activities are allocated to the relevant LoB on a time-sheeting basis, reflecting actual employee time spent. After the 2024 restructure, the team operates as a “Shared” internal function within the Technical Services Team, within the Transmission LoB. For completeness, where the Technical Services Team provides services to external customers e.g., other distribution networks, all costs are directly recovered from the customer.

AusNet’s review considered whether market testing or third-party benchmarking of these arrangements was feasible or appropriate and concluded it was not, as the time-sheeting of internal labour does not give rise to a discrete, market-priced service capable of benchmarking.

Metering services SoW

The review found that the historical SoWs for the provision of “metering services” were primarily used to document the activities performed in support of the Metering business within the Gas & Metering LoB.

These SoWs were prepared to provide internal clarity around scope, responsibilities and cost allocation, particularly where staff supporting these activities were undertaking activities for other parts of AusNet or external parties. Costs associated with these activities are allocated to the Metering business on a time-sheeting basis only, reflecting actual employee time spent.

AusNet’s review considered whether market testing or third-party benchmarking of these arrangements was necessary or appropriate. It concluded that time-sheeting of internal labour does not give rise to a discrete, market-priced service capable of meaningful benchmarking.

Notwithstanding the above, at the time of the preparation of the Report, the Metering business has commenced a tender for a range of metering services performed. Some of these services correspond to those described in the historical SoWs. Should a third party be selected to deliver these services, this would represent a decision to outsource the relevant activities rather than continue insourcing them.

² AER Ring-fencing Guideline Electricity Distribution Compliance Report, April 2025, page 6.

4. Breaches of the Guideline

Under clause 6.2.1(b)(ii) of the Guideline, AusNet must notify the AER in writing within 15 business days of becoming aware of a breach under the Guideline and include any breaches by AusNet (or which otherwise relate to AusNet) in the Report. No breaches of the Guideline were reported or identified in 2025.

5. Other services provided by AusNet

Under clause 6.2.1 (b)iii of the Guideline, AusNet is required to include in its Report 'all other services' provided by the DNSP in accordance with clause 3.1.

Clause 3.1 of the Guideline sets out the specific circumstances under which DNSPs can provide 'other services' without breaching the Guideline. Specifically, the provision of 'other services' is subject to the granting of ring-fencing obligation waivers by the AER (clause 3.1(d)vi).

As at 31 December 2025, there was one ring-fencing waiver in place for 10 pole top batteries, however AES had not provided any services under this waiver.

With respect to the class waivers granted by the AER to DNSPs, AES had not provided any services under the Reliability and Emergency Reserve Trader (**REERT**) services class waiver or the battery program class waiver.

AusNet maintains and keeps a public register of waivers available on its website,³ in line with the Guideline.

³ [Distribution ring-fencing compliance - AusNet](#)

6. Transactions with affiliated entities

Clause 6.2.1 (b) (iv) of the Guideline requires AusNet to identify and describe the purpose of all transactions between AES and an affiliated entity. A purpose of transactions table is included at **Appendix 2** of the Report.

Appendix 1: Compliance measures

Table 2 provides an overview of ring-fencing compliance measures and controls.

Table 2: Compliance measures

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.1 Obligation to not discriminate	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.3 Branding and cross-promotion	4.2.4 Office and staff registers	4.3.1 Protection of ring-fenced information	4.3.2 Disclosure of information	4.3.3 Sharing of information, 4.3.4 Information register	4.4.1 Conduct of service providers	5. Waivers	6 Compliance, reporting and enforcement	6.2.3 Regulated Stand-alone power systems reporting
AusNet Corporate Structure	Preventative	Demonstrating legal separation of entities within AusNet, the corporate structure is monitored and maintained by the General Counsel & Company Secretary, as it relates to various corporate governance requirements.	✓														
Ring-fencing Policy	Preventative	<p>The Ring-fencing Policy:</p> <ul style="list-style-type: none"> outlines requirements and responsibilities for managing compliance with the AER's Ring-fencing Guidelines, as varied from time to time; and applies to AusNet employees, contractors and third-party providers to AusNet. <p>The Ring-fencing Policy must be applied in conjunction with AusNet's Compliance Directive.</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ring-fencing Training	Preventative	<p>Training is a key control utilised by AusNet to promote compliance under the Guidelines. AusNet requires:</p> <ul style="list-style-type: none"> all new starters complete online ring-fencing compliance training on commencement; all employees complete annual ring-fencing compliance refresher training; and relevant teams complete bespoke, targeted training where required. 	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.1 Obligation to not discriminate	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.3 Branding and cross-promotion	4.2.4 Office and staff registers	4.3.1 Protection of ring-fenced information	4.3.2 Disclosure of information	4.3.3 Sharing of information, 4.3.4 Information register	4.4.1 Conduct of service providers	5. Waivers	6 Compliance, reporting and enforcement	6.2.3 Regulated Stand-alone power systems reporting
Dedicated Ring-fencing intranet page	Preventative	<p>A dedicated Ring-fencing intranet page is maintained by the Compliance Team and sets out:</p> <ul style="list-style-type: none"> relevant information about the Guideline and how its applied; the Ring-fencing Policy; annual Compliance Report; and where to go for support. <p>The Ring-fencing intranet page is embedded within the Compliance intranet page which includes the Compliance Directive.</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dedicated email address	Detective	<p>Dedicated email address managed by the Compliance Team to address any internal ring-fencing queries or external requests:</p> <p>████████████████████</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Periodic attestations	Detective	<p>Ring-fencing control owners and/or obligation owners periodically attest to the compliance status of their obligations, including whether a breach has occurred.</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Breach Management	Corrective	<p>AusNet's Compliance Directive accounts for responsibilities in managing potential and actual breaches (including of the Guideline).</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Assessment of Compliance	Detective	<p>AusNet engages an independent authority, per clause 6.2.1(c) of the Guideline, to assess its annual Compliance Report. This activity also serves as a mechanism to detect any potential non-compliances.</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.1 Obligation to not discriminate	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.3 Branding and cross-promotion	4.2.4 Office and staff registers	4.3.1 Protection of ring-fenced information	4.3.2 Disclosure of information	4.3.3 Sharing of information, 4.3.4 Information register	4.4.1 Conduct of service providers	5. Waivers	6 Compliance, reporting and enforcement	6.2.3 Regulated Stand-alone power systems reporting
Site Separation	Preventative	These controls prevent staff who are not exempt under 4.2.1 to be co-located.					✓	✓									
Digital System Access	Preventative	Users associated with the provision of other services are prohibited from accessing systems that store ring-fenced information, or otherwise accessing ring-fenced information, other than in circumstances that are exempt under the Guideline.				✓					✓	✓					
Financial Procedures	Preventative	The Accounting for Affiliated Transaction Entity Policy outlines the requirement to record financial transactions in the correct legal entity and how financial information for different types of services are collated within the DNSP. It also details how financial items are correctly allocated, as well as how intercompany transactions are to be separately recorded within each legal entity.		✓	✓												
Master Services Agreement	Preventative	AusNet's Master Services Agreements (MSAs) with affiliated entities provides inputs to its regulated services. These include SoWs to apply for services in place at the time ring-fencing commenced. Any additional services provided by an affiliate would be subject to separate negotiation. The MSAs provide a basis for compliant financial transactions between the entities.				✓					✓	✓		✓			
Staff Sharing Register and Staff Sharing Check List tool	Preventative	In line with the Guideline, AusNet publishes (and updates) a quarterly staff sharing register which sets out the nature of staff positions being shared.								✓							

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.1 Obligation to not discriminate	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.3 Branding and cross-promotion	4.2.4 Office and staff registers	4.3.1 Protection of ring-fenced information	4.3.2 Disclosure of information	4.3.3 Sharing of information, 4.3.4 Information register	4.4.1 Conduct of service providers	5. Waivers	6 Compliance, reporting and enforcement	6.2.3 Regulated Stand-alone power systems reporting
Information Sharing Protocol	Preventative	AusNet's Information Sharing Protocol details the type of information that can be shared and the terms on which information will be shared. It is publicly available, Distribution ring-fencing compliance - AusNet .									✓	✓	✓			✓	
Financial Reporting and Reviews	Detective	<p>Financial reviews are undertaken throughout the year to monitor compliance with the accounting requirements of the Guideline.</p> <ul style="list-style-type: none"> The results of the indirect cost allocation process are reviewed monthly by the Finance Team to confirm costs have been appropriately allocated and that significant variances or movements compared to previous periods are understood. The profit and loss of the DNSP is reviewed regularly throughout the year to confirm only appropriate costs and revenues are recognised and that no prohibited services are being provided. In addition, a more thorough review is performed as part of the preparation of the annual regulatory accounts, which are subject to independent audit. <p>Controls are in place to identify and notify the Finance Team of related party transactions that have occurred so that they are adequately disclosed in statutory financial statements and regulatory accounts.</p>		✓	✓											✓	
Waiver Register	Preventative	In line with the Guideline, AES publishes (and updates) a quarterly register of waivers granted by the AER.													✓	✓	
Regulated SAPS	Preventative	In line with the Guideline, AusNet publishes (and updates) a quarterly register of regulated stand-alone power systems (SAPS) used by AES to provide other services. AES had no regulated SAPS in place in 2025.														✓	✓

Appendix 2: Purpose of transactions

Tables 3, 4 and 5 summarise the purpose of transactions (type, description and nature of work) between AES and affiliated entities in 2025. Costs associated with the transaction have also been provided as requested by the AER.

Table 3: Operating expenditure (OPEX) summary

Legal entity	Description	Type of work	Nature	Direct Mondo Projects (\$)	Projects (\$)	Direct charge from Mondo (\$)
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Table 4: Capital expenditure (CAPEX) summary

Legal entity	Description	Type of work	Nature	Direct Mondo Projects (\$)	Projects (\$)	Direct charge from Mondo (\$)
Geomatic.ai Pty Ltd	Direct Project	Equipment supply	Direct Project costs	-	314,707	-

Table 5: Transactions with other affiliate entities summary

Legal entity	Description	Type of work	Nature	Direct Mondo Projects (\$)	Projects (\$)	Direct charge from Mondo (\$)
AusNet Services Holdings Pty Ltd	Interest Expense	Interest Expense	Interest on borrowings	-	220,275,082	-
AusNet Transmission Group Pty Ltd	Revenue	Network charges	Network Use of Services	-	(113,821)	-
AusNet Transmission Group Pty Ltd	Cost of Sales	Grid Fee/exit charges between Transmission	Exit charges for use of Transmission Network	-	8,776,452	-
AusNet Transmission Group Pty Ltd	Cost of Sales	Transmission network charges	Network Charges	-	1,195,906	-
Mondo Metering Pty Ltd	Revenue	Network charges	Network Support Agreement	-	(489,899)	-
Mondo Metering Pty Ltd	Cost of Sales	Network trial support services	Trial fee	-	1,122,942	-
Mondo Metering Pty Ltd	Cost of Sales	Use of system charges	Exit charges for use of Transmission Network	-	109,155	-

Appendix 3: Glossary and abbreviations

Term	Definition
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AES	AusNet Electricity Services Pty Ltd
ARC	Audit and Risk Committee
ATG	AusNet Transmission Group Pty Ltd
CAM	Cost Allocation Methodology
CAPEX	Capital expenditure
CMS	Compliance Management System
DFN	Development & Future Networks
DNISP	Distribution Network Service Provider
EY	Ernst & Young
LoB	Line of Business
MDP	Meter Data Provider
MSA	Master Services Agreement
NC	Non-contestable
NER	National Electricity Rules
OPEX	Operating expenditure
RESP	Related electricity service providers
SoW	Statement of Work

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