



# Electricity Distribution Ring-fencing Annual Compliance Report

1 January 2025-31 December 2025

28 April 2026

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# Overview

The Australian Energy Regulator's (AER) Ring-fencing Guideline – Electricity Distribution Version 4<sup>1</sup> (the Guideline) requires Distribution Network Service Providers (DNSPs) to prepare an annual Ring-fencing Compliance Report (Compliance Report). Essential Energy (ABN 37 428 185 226), as a DNSP, has prepared this Compliance Report in accordance with clause 6.2 of the Guideline for the regulatory reporting period of 1 January to 31 December 2025 (the reporting period).

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

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

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

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

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

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

This Compliance Report details Essential Energy's approach to compliance including policies, processes and measures in place during the regulatory reporting period to meet the aims and requirements of the Guideline. This includes the transition to business as usual practices to provide contestable electricity services through its Related Electricity Services Provider (RESP), Intium<sup>2</sup>, in compliance with the Guideline.

## Statement of Compliance

Essential Energy has complied with the obligations set out in the Guideline for the period from 1 January to 31 December 2025 except for those breaches detailed in Section 2 of this Compliance Report.

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<sup>1</sup> Australian Energy Regulator (AER), Ring-fencing Guideline- Electricity Distribution, Version 4, February 2025.

<sup>2</sup> Intium Pty Limited (ABN: 89 664 971 313)



# Annual Ring-fencing Compliance Report

Clause 6.2.1 of the Guideline and the AER's Distribution Ring-fencing Best Practice Manual<sup>3</sup> sets out those matters and the manner in which Essential Energy is required to demonstrate compliance with the Guideline in this Compliance Report.

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

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

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

This Compliance Report must be submitted to the AER by 30 April 2026 and be accompanied by the independent assessment report issued by KPMG. This Compliance Report may be made public by the AER and has been prepared with the expectation that such disclosure will occur.

## Structure of this Compliance Report

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

**Table 1: Structure of this Compliance Report**

SUBJECT	DESCRIPTION	WHERE TO FIND
Measures to ensure compliance	Compliance measures undertaken during the reporting period aimed at ensuring compliance with the Guideline	Section 1 and Appendix A
Breaches	Compliance breaches of the Guideline during the reporting period	Section 2
Other Services	Other Services provided by Essential Energy	Section 3
Transactions with Affiliated Entities	Details of transactions between Essential Energy and Intium	Section 4

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

SUBJECT	DESCRIPTION	WHERE TO FIND
Independent Assessment	<p>Essential Energy’s actions in response to improvement observations during the audit of its 2024 Annual Ring-fencing Compliance Report</p> <p>Outcomes of the independent assessment of this Compliance Report</p>	Section 5 and Attachment 1

# 1. Measures to Ensure Compliance

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

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

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

## 1.1 Essential Energy Compliance Program

During 2025, Essential Energy continued its approach to maintaining compliance with its ring-fencing obligations through only providing distribution and transmission services, and not providing other services except where:

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

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

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

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

## 1.2 Intium

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

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

Essential Energy has a firm commitment to meeting its regulatory obligations and during the reporting period maintained the agreements, protocols, systems and processes required to support Intium in a manner that complies with the Guideline.

### 1.2.1 LEGAL AND FUNCTIONAL SEPARATION BETWEEN ESSENTIAL ENERGY AND INTIUM

In 2025 Essential Energy operated ring-fencing controls under business as usual to ensure compliance with the Guideline:

- ▶ Maintained allocation of Intium costs in accordance with Essential Energy's approved Cost Allocation Methodology (CAM)
- ▶ Maintained separate finance and procurement modules of Oracle Enterprise Resource Planning (ERP) system to enable Intium to transact in its own right and to facilitate separation of management and financial accounts
- ▶ Maintained procurement terms and conditions for Intium
- ▶ Provided corporate services to Intium under the Shared Services Agreement between Intium and Essential Energy, within the confines of the Guideline
- ▶ Maintained separate offices for Intium in Sydney and Port Macquarie with physical security controls to restrict access
- ▶ Maintained information separation between Essential Energy and Intium through systems separation, where required
- ▶ Maintained an Operating Protocol that describes ways of working between Essential Energy and Intium in the provision of Shared Services to Intium
- ▶ Maintained an Operating Protocol for Contracted Services that defines governance arrangements and ways of working between Intium and Essential Energy in the provision of project delivery services to Intium
- ▶ Provided project delivery services under a Contracted Services Agreement with Intium in compliance with the Guideline. The resources covered by this agreement include Electrical Technicians, Powerline Workers, Engineers, Designers, Project Managers and other frontline roles.
- ▶ Advice to the Intium Board of Directors who are also Essential Energy Executive Leaders on managing Ring-fencing compliance obligations and implications for them as Directors of Intium
- ▶ Conducted mandatory Ring-fencing training for all employees including specific information on Intium
- ▶ Maintained a Ring-fencing Intranet site to provide information and awareness on Ring-fencing obligations and implications
- ▶ Maintained an Intranet site on working with Intium to provide guidance and information to all employees on working with Intium.

## 1.3 Battery Projects

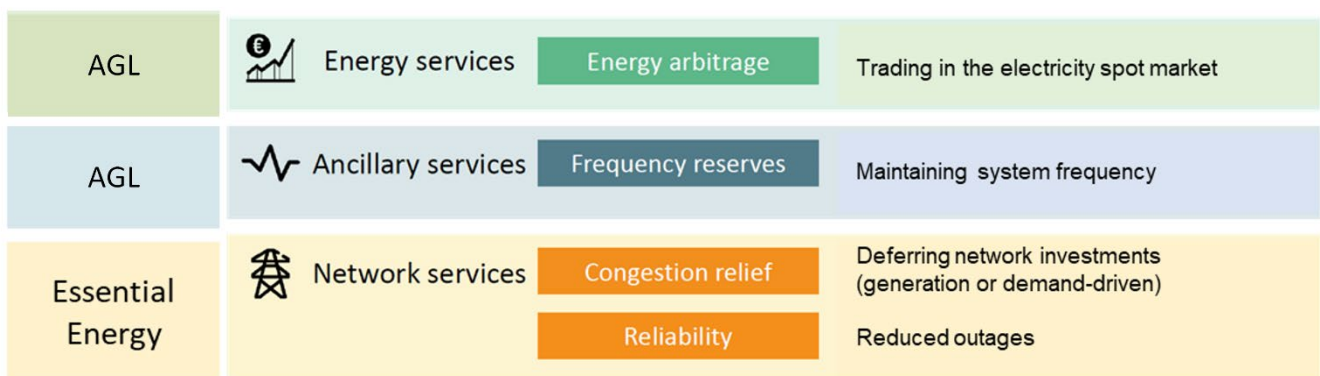
### 1.3.1 SOVEREIGN HILLS NETWORK BATTERY

On 4 August 2022, Essential Energy was granted a ring-fencing waiver until 4 August 2037 to lease excess capacity from its Sovereign Hills network battery located near Port Macquarie, NSW.

The Sovereign Hills Battery is a 1MW / 2MWh battery developed in partnership with AGL to respond to network need for greater capacity and power quality management. For the trial, AGL is engaged under a revenue sharing agreement to use excess capacity from the battery to provide market services. The battery is funded 57% through Essential Energy’s regulated asset base and 43% through unregulated funding.

The battery operates under an Orchestration Agreement between AGL and Essential Energy. Under this agreement, AGL operates and controls the battery to provide network and market services. Essential Energy provides fixed setting limits, which include active and reactive voltage settings to support the network. Essential Energy also provides a dynamic operation of setting limits for thermal control.

The purpose of the battery is to provide network services. However, to maximise the value of the asset, AGL uses the spare capacity to provide arbitrage services and leases the spare storage capacity for these services - but only when it is not required for standard control services by Essential Energy. AGL also intends to provide Frequency Control Ancillary Services (FCAS) with this asset. This was tested in 2025, but the required response time could not be achieved. It is unclear if this will be further pursued based on current FCAS economics. Figure 1 shows the value across market and network services that the network battery captures under the agreement with AGL.



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

In 2025, the battery was made available to AGL for energy services 100% of the time whilst also providing significant voltage support and capability to meet load demands in the event of feeder overload. Significant steps were also achieved with respect to dynamic operating envelopes (DOEs) with communications established between Essential Energy and AGLs comms devices enabling updates of operating limits. This will evolve further in 2026 to include calculated DOEs in alignment with network support outcomes to be sent in real-time.

Further information on the battery operating model and performance is provided in the 2025 Sovereign Hills Battery Annual Compliance Report, which is provided separately to this report.

### 1.3.2 POLE-TOP BATTERY TRIAL

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

In June 2023, Essential Energy partnered with retail provider Origin Energy to undertake a jointly funded pole-top battery trial project, where Essential Energy's portion is not allocated to its regulated asset base. The trial aims to explore network and retail opportunities for customers in selected regional communities.

During 2025, the project neared completion of its construction and installation phase with 34 pole top batteries installed in Wagga Wagga, Armidale, Dubbo, Bathurst and Port Macquarie. The remaining pole top battery is expected to be installed in Bathurst by 30 June 2026.

Under the waiver granted by the AER, Essential Energy is required to report on the usage of the batteries and the splits between Essential Energy and the retailer. The current fleet of 34 batteries have been made available to the retailer for 81% of the time with the remaining 19% attributed to downtime for unplanned events and subsequent repairs/upgrades.

### 1.3.3 COMMUNITY BATTERIES FOR HOUSEHOLD SOLAR PROGRAM TRIAL

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

In June 2023, Essential Energy received grant funding as part of the Australian Government's Community Batteries for Household Solar Program for the provision and integration of batteries into the regional communities of Goulburn, Leeton and Maloney's Beach in NSW.

During 2025, all three community batteries were constructed and commissioned. Each of the Essential Energy batteries are wholly excluded from Essential Energy's regulated asset base.

## 1.4 Regulated Stand Alone Power Systems (SAPS)

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

In May 2025, Essential Energy registered a third regulated SAPS, located in Delegate, NSW. The Delegate SAPS has been operational since May 2025 and services one customer in the remote Snowy Mountains area.

The Guideline allows DNSPs which are registered as Market SAPS Resource Providers (MSRPs) to provide generation services without requirements for legal separation, provided accounting separation is in place. Generation revenue may be earned by Essential Energy as a MSRP up to an annual generation cap in a regulatory year, which will be cost recovered by the AER. Essential Energy earned approximately \$495 in generation revenue from the three SAPS sites during the reporting period, well below the annual generation cap.

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

## 1.5 Technical Training Services

On 13 February 2024, Essential Energy received a renewal of its individual waiver from clauses 4.2.1, 4.2.2, 4.2.3 and 4.2.4 of the Guideline, to allow it to continue to provide training to accredited service providers (ASPs), which is mandatory under the NSW contestable works scheme, until 30 June 2029 in certain locations.



During the reporting period, Essential Energy conducted two technical training workshops for a total of 35 individuals in approved locations under the waiver.

As required by the waiver, in January 2026 Essential Energy submitted a report to the AER detailing the number of individuals trained under the waiver in 2025 and the locations where the training was conducted.

## 1.6 Essential Energy Training Academy

On 10 November 2025, Essential Energy was granted an individual waiver from clauses 3.1(b), 4.2.1, 4.2.2 and 4.2.3 of the Guideline, to establish a training academy to address the unmet demand for skilled renewable electricity workers in regional NSW, training both Essential Energy staff and external workers needed by renewable energy developers and operators in areas like the Central-West Orana and New England Renewable Energy Zones (REZs). The waiver is valid until 30 June 2034.

The Essential Energy Training Academy will be established at Tamworth with additional training hubs at Parkes, Grafton, Orange, Wagga Wagga and Goulburn to provide the following training courses:

- ▶ Certificate II in Electrotechnology (Career Start)
- ▶ Certificate III in Electrotechnology Electrician
- ▶ Certificate IV in ESI – Substations
- ▶ Certificate IV in ESI – Network Systems
- ▶ Certificate III in ESI – Distribution Overhead
- ▶ Certificate III in ESI - Distribution Underground
- ▶ Certificate IV in Electrical Renewable Energy (includes working on grid connected photovoltaic systems, battery storage systems, generating set systems)
- ▶ Diploma of Renewable Energy Engineering
- ▶ Electric vehicles charger micro credentials.

The waiver allows Essential Energy to offer two Certificate IV courses until the training academy is established.

Essential Energy did not deliver any training courses in 2025; however, a program of work commenced in December 2025 to establish the systems and processes required to establish the Essential Energy Training Academy in compliance with the Guideline. This includes:

- ▶ Cost allocation in accordance with the CAM
- ▶ Gain registration as a Commercially Registered Training Organisation (RTO). Essential Energy is already an Enterprise RTO and is extending registration to a Commercial RTO to enable the general public, including employees of commercial entities, to enrol and participate in the training courses offered.
- ▶ Upgrade existing training establishments in Orange, Wagga Wagga and Tamworth to accommodate the Training Academy whilst a new fit-for-purpose facility is built in Tamworth. Facilities at other approved locations may also be upgraded if required.

## 2. Breaches

During the reporting period, Essential Energy did not incur any new breaches of the Guideline.

Essential Energy has one ongoing breach regarding provision of contestable metering services and provides regular status updates to the AER, as detailed in Table 2 below.

**Table 2: Ring-fencing Breaches during reporting period**

OBLIGATION	DATE	DETAILS	REMEDIATION
4.2.1 4.2.2 4.2.3 4.2.4 4.4.1(a)	<p><b>Reporting period 1</b> January to 31 December 2025</p> <p><b>Breach start date</b> 1 July 2019</p> <p><b>Breach end date</b> Ongoing</p> <p><b>Breach reported to AER</b> 11 July 2019</p>	<p><b>Type 1-4 Metering breach</b></p> <p><u>Nature of breach</u></p> <p>In preparation for the commencement of ring-fencing on 1 January 2018, Essential Energy put steps in place to withdraw from the contestable metering services market. As all remaining installations where contestable metering services were provided were unlikely to transfer away by 1 January 2018, Essential Energy received a ring-fencing waiver allowing it to continue to provide contestable metering services until it could completely exit the market. The waiver application was approved by the AER on 18 December 2017 and expired 1 July 2019.</p> <p>The number of sites where Essential Energy provides contestable metering services has reduced to two (2) in December 2025.</p> <p>These legacy sites did not transfer to other service providers, and Essential Energy has continued to provide metering services for these sites.</p> <p>The two remaining sites require action from either the customer or the retailer, and Essential Energy continues to progress these.</p> <p><u>Cause of breach</u></p> <p>Essential Energy relies on a Metering Coordinator for each of these metering installations to appoint new service providers to the roles of Metering Provider and Meter Data Provider. Whilst Essential Energy is assigned these roles, it must continue to provide services as required under the National Electricity Rules. Essential Energy continues to request Retailers have their Metering Coordinators assign new Providers to these roles but to date these requests have not been acted upon.</p> <p><u>Method of identification</u></p>	<p>At the end of the reporting period, two sites remained under Essential Energy’s metering service provision.</p> <p>In prior years Essential Energy has contacted the retailers for these sites multiple times advising that it can no longer provide contestable metering services and requesting Metering Coordinators affiliated with those Retailers appoint alternate providers.</p> <p>Essential Energy reports to the AER every 6 months the number of sites where it continues to provide metering services.</p> <p>Essential Energy continues to encourage the AER to support its efforts to resolve</p>

OBLIGATION	DATE	DETAILS	REMEDIATION
		<p>This breach was identified by internal Essential Energy staff.</p> <p><u>Impact of breach</u></p> <p>There is minimal impact on customers and the contestable market as a result of this breach due to:</p> <ul style="list-style-type: none"> <li>▶ the small number of sites (2) where these services are provided</li> <li>▶ Essential Energy’s ongoing efforts to cease providing contestable metering services through seeking to have the sites transferred.</li> </ul>	<p>this matter with Retailers.</p>

## 3. Other Services

During the reporting period, Essential Energy provided the following other services under clause 3.1 of the Guideline and in accordance with the AER's Shared Asset Guideline:

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

Essential Energy also provided other services under waivers granted by the AER, as detailed in Table 3 below.

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

OBLIGATION WAIVED	EXPIRY DATE	DETAILS OF WAIVER
3.1, 4.2.1 4.2.2, 4.2.3 4.2.4, 4.4.1(a)	30 June 2029	<p><b>Essential Water services</b></p> <p>Essential Energy holds a waiver from its obligations to allow it to continue to own and operate Essential Water, a water supply authority providing water, sewage, liquid trade waste and other miscellaneous services in far west NSW.</p>
4.2.1, 4.2.2, 4.2.3, 4.2.4	30 June 2029	<p><b>Contestable technical training services</b></p> <p>Essential Energy holds a waiver from its obligations to allow it to continue to provide Accredited Service Provider (ASP) Initial and Refresher Training, Work Near Overhead Powerlines (WNP) Initial and Refresher Training, and Safe Work Practices Initial and Refresher Training to Accredited Service Providers on a limited basis and in the following locations: Albury, Armidale, Ballina, Bathurst, Bendigo, Bingara, Blayney, Braidwood, Broadwater, Broken Hill, Bulahdelah, Buronga, Cobar, Cobram, Coffs Harbour, Condon, Corowa, Culcairn, Deniliquin, Dubbo, Eden, Echuca, Ewingsdale, Glenn Innes, Goulburn, Goondiwindi, Grafton, Griffith, Harwood, Hay, Holbrook, Inglewood, Inverell, Kempsey, Leeton, Lismore, Marulan, Mittagong, Moree, Moruya, Mulwala, Murwillumbah, Nambucca Heads, Narrabri, Orange, Parkes, Queanbeyan, Swan Hill, Tamworth, Taree, Temora, Tweed Heads, Uki, Wagga Wagga, Walcha, Warialda, Wodonga, and Young.</p>
3.1(b), 4.2.1, 4.2.2, 4.2.3	30 June 2034 (commenced 10 November 2025)	<p><b>Essential Energy Training Academy Waiver</b></p> <p>Essential Energy holds a waiver to establish a training academy to provide a range of foundational and diploma courses related to energy trades to address the unmet demand for skilled renewable energy workers in regional NSW. The Essential Energy Training Academy will be located at Tamworth with additional training hubs at Parkes, Grafton, Orange, Wagga Wagga and Goulburn. It will be operational by 2027 and scale up by 2030.</p>

OBLIGATION WAIVED	EXPIRY DATE	DETAILS OF WAIVER
3.1	4 August 2037	<p><b>Sovereign Hills Battery Waiver</b></p> <p>Essential Energy holds a waiver to lease spare capacity from its Battery Energy Storage System located at Sovereign Hills, NSW.</p>
3.1	30 June 2037	<p><b>Pole-top Battery Trial Waiver</b></p> <p>Essential Energy holds a waiver to install, own and operate 35 pole-top batteries jointly with a retail partner.</p>
3.1, 4.2.1 4.2.2	20 June 2041	<p><b>Australian Government Community Battery for Household Solar Program Class Waiver</b></p> <p>Allows DNSP-led battery projects where battery assets are funded by grants programs administered by the Commonwealth Government where the assets are either wholly excluded from the Regulated Asset Base (RAB) or partially allocated to the RAB.</p> <p>Under this waiver, Essential Energy has provided batteries in the regional communities of Goulburn, Leeton and Maloney’s Beach in NSW, which are wholly excluded from the RAB.</p>

## 4. Transactions with Affiliated Entities

Clause 6.2.1(b)(iv) of the Guideline requires that Essential Energy disclose the purpose of all transactions with its affiliated entity, Intium. The table below describes all transactions between Essential Energy and Intium during the reporting period.

**Table 4: Transactions between Essential Energy and affiliated entities**

AFFILIATED ENTITY	PURPOSE OF TRANSACTION	NATURE AND STATUS OF TRANSACTION
<b>Intium Pty Ltd</b>	Intercompany Loan Agreement	<p>As required by Division 6 of the <i>Government Sector Finance Act 2018</i> (NSW), the NSW Treasurer granted approval for Essential Energy to provide unregulated funding to Intium of up to \$200M on 1 September 2023.</p> <p>An intercompany loan agreement between Essential Energy and Intium, in the amount of up to \$200M, was executed on 28 November 2023 as a single loan.</p>
<b>Intium Pty Ltd</b>	Provision of Corporate Services	<p>Essential Energy entered into a Shared Services Agreement with Intium on 19 December 2023 to provide corporate services including general administration, IT support services, accounting, procurement, human resources, payroll, legal and regulatory services.</p> <p>Fees are payable by Intium to Essential Energy monthly in accordance with Essential Energy's approved CAM on a full pass-through basis or, in the event that the relevant fee is not covered in the CAM, by applying an equivalent cost-reflective rate.</p>
<b>Intium Pty Ltd</b>	Provision of Contracted Services	<p>Essential Energy entered into a Contracted Services Agreement with Intium on 28 October 2024 to provide services, including design, construction, maintenance and delivery of Intium's commercial projects.</p> <p>Fees are payable by Intium to Essential Energy monthly in accordance with Essential Energy's approved CAM on a full pass-through basis (direct costed). Fees charged are in accordance with the Ancillary Network Services (ANS) pricing schedule approved by the AER.</p>

## 5. Independent Assessment

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

Essential Energy engaged KPMG to undertake an independent assessment of its compliance against the Guideline requirements. The audit covers the period from 1 January to 31 December 2025. This assessment is provided as Attachment 1 to this report.



# Appendix A: Compliance Measures

## Strategic approach to ring-fencing compliance (preventative control)

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

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

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

RING-FENCING OBLIGATION		COMPLIANCE MEASURES
<b>Legal Separation</b>		
<b>3.1(a)</b>	A DNSP must be a legal entity	<p><b>Separate legal entity by statute (preventative control)</b></p> <p>Essential Energy is a New South Wales statutory State Owned Corporation under the State Owned Corporations Act 1989. ABN: 37 428 185 226.</p> <p>Intium was registered as a separate legal entity on 13 January 2023. ABN: 89 664 971 313.</p>
<b>3.1(b)</b>	Subject to this clause 3.1, a DNSP may provide distribution services and transmission services, but must not provide other services.	<p><b>Waiver Register (preventative control)</b></p> <p>Essential Energy maintains a Waiver Register of individual and class waivers granted by the AER. The register includes a description of the obligation/s waived, other service/s provided, and conditions that apply. The Compliance Team updates the register on a quarterly basis, or as waivers are granted or expire.</p>

RING-FENCING OBLIGATION	COMPLIANCE MEASURES
	<p><b>Classification of Services (preventative control)</b></p> <p>In 2024 the AER approved the Classification of Services for DNSPs in NSW and the ACT, as part of their Regulatory Determination for the 2024-29 Regulatory Period. The Classification of Services identifies the distribution services that regulated DNSPs can provide, and the classification of those services.</p> <p><b>Approval of new services (preventative control)</b></p> <p>Essential Energy’s Commercial Development and Future Networks teams consult with Regulatory Affairs during the feasibility stage of a new service proposal to explore and address regulatory issues, including ring-fencing.</p> <p><b>Training and awareness (preventative control)</b></p> <p>All staff are required to undergo training on Essential Energy’s ring-fencing obligations. The training provides awareness and knowledge that Essential Energy does not provide other services unless an AER waiver has been granted or an exemption exists and explains the obligations that Essential Energy has with regards to Intium.</p> <p>Training is delivered via Essential Energy’s online training system and completion by staff is recorded and monitored. All new employees complete ring-fencing training as part of their induction training. Refresher training is undertaken annually by all staff.</p> <p>Education and awareness is also provided via two Intranet sites, namely Ring-fencing and Working with Intium. Both sites are maintained by the Compliance Team.</p> <p><b>Reporting potential Ring-fencing breaches (detective control)</b></p> <p>The ring-fencing training includes information on how Essential Energy employees can report potential breaches to the Compliance team. Employees can report potential breaches by emailing the Compliance team, or field employees can use functionality in the Field Portal. When a potential breach is reported, the Compliance team immediately investigates the incident to determine if the breach is reportable to the AER within the 15 business day deadline.</p> <p><b>Periodic compliance checks (detective control)</b></p>

RING-FENCING OBLIGATION		COMPLIANCE MEASURES
		<p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p> <p><b>Financial results review (detective control)</b></p> <p>Financial results are reviewed by Management and the Finance team monthly, including revenue results and the allocation of costs to Intium, including variances from expected or budgeted outcomes. This assists in allocating costs as per the approved CAM and identifies any unexpected revenues or costs.</p>
<b>Establish and maintain accounts</b>		
3.2.1(a)	A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	<p><b>ERP separation (preventative control)</b></p> <p>Essential Energy has separate finance modules in its Oracle Enterprise Resource Planning (ERP) system to achieve accounting separation between contestable and regulated services.</p> <p><b>Shared Services Agreement (preventative control)</b></p> <p>The Shared Services Agreement between Intium and Essential Energy identifies how fees are paid by Intium to Essential Energy in accordance with Essential Energy’s CAM on a full pass-through basis or, in the event that the relevant fee is not covered in the CAM, by applying an equivalent cost-reflective rate.</p> <p><b>Contracted Services Agreement (preventative control)</b></p> <p>The Contracted Services Agreement between Essential Energy and Intium identifies how fees are paid by Intium to Essential Energy in accordance with Essential Energy’s CAM on a full pass-through basis (direct costed). The rates used for direct costing are the Ancillary Network Services (ANS) approved by the AER.</p> <p><b>Financial results review (detective control)</b></p>

RING-FENCING OBLIGATION		COMPLIANCE MEASURES
		Financial results are reviewed by Management and the Finance team monthly, including revenue results and the allocation of costs to Intium, including variances from expected or budgeted outcomes. This assists in allocating costs as per the approved CAM and identifies any unexpected revenues or costs.
3.2.2(a)	A DNSP must allocate or attribute costs (including costs allocated or attributed to the DNSP by a parent entity) to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services.	<p><b>Accounting codes for distribution and non-distribution services (preventative control)</b></p> <p>Essential Energy maintains a chart of accounts in its accounting system that distinguishes distribution and non-distribution services based on the business unit that provides those services. This prevents confusing transactions between distribution and non-distribution services when the Finance team attributes expenditure and revenue to various accounts. The Finance team attributes expenditure and revenue to distribution services and non-distribution services in a manner that is consistent with the CAM, which informs the compilation of monthly management accounts.</p> <p><b>ERP separation (preventative control)</b></p>
3.2.2(b)	A DNSP must only allocate or attribute costs to distribution services in accordance with clause 3.2.2(a) and must not allocate or attribute other costs to the distribution services it provides.	<p>Essential Energy has separate finance modules in its Oracle ERP system to achieve accounting separation between contestable and regulated services.</p> <p><b>Shared Services Agreement (preventative control)</b></p> <p>The Shared Services Agreement between Intium and Essential Energy identifies how fees are paid by Intium to Essential Energy in accordance with Essential Energy's CAM on a full pass-through basis or, in the event that the relevant fee is not covered in the CAM, by applying an equivalent cost-reflective rate.</p> <p><b>Contracted Services Agreement (preventative control)</b></p> <p>The Contracted Services agreement between Essential Energy and Intium identifies how fees are paid by Intium to Essential Energy in accordance with Essential Energy's CAM on a full pass-through basis (direct costed). The rates used for direct costing are the Ancillary Network Services (ANS) approved by the AER.</p>

RING-FENCING OBLIGATION		COMPLIANCE MEASURES
		<p><b>Financial results review (detective control)</b></p> <p>Essential Energy maintains and applies its current CAM so that costs are allocated to non-distribution services (e.g. Essential Water) in accordance with the CAM. Management accounts are reviewed on a monthly basis by managers and variances from expectations are investigated. This process can assist in detecting allocation of expenditure and revenues that are inconsistent with the CAM.</p>
3.2.2(c)	A DNSP must establish, maintain and keep records that demonstrate how it meets the obligations in clauses 3.2.2(a) and 3.2.2(b) and must not allocate or attribute other costs to the distribution services it provides.	<p><b>ERP separation (preventative control)</b></p> <p>Essential Energy has separate finance modules in its Oracle ERP system to achieve accounting separation between contestable and regulated services.</p> <p><b>Reviewing and maintaining accounting records (detective control)</b></p> <p>The Finance team maintains accounting and financial records as part of its core function. These records have been reviewed and approved by managers in the Finance team to check that they are correct prior to being archived. The review and approval process also includes consideration of whether costs have been allocated to distribution services correctly, and that costs for other services have not been allocated to distribution services.</p> <p><b>Financial Audit (detective control)</b></p> <p>Essential Energy engages an independent third party auditor each year to review its accounting and financial results. The audit includes a detailed review of the allocation of costs between distribution and non-distribution services to check for consistency with the CAM.</p>
<b>Obligation to not discriminate</b>		
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	<p><b>Training and awareness (preventative control)</b></p> <p>All staff are required to undergo training on Essential Energy's ring-fencing obligations. The training provides awareness and knowledge that Essential Energy does not provide other services unless</p>

RING-FENCING OBLIGATION	COMPLIANCE MEASURES
<p>related electricity service provider in connection with the provision of:</p> <ul style="list-style-type: none"> <li>i direct control services by the DNSP (whether to itself or to any other level entity); and/or</li> <li>ii contestable electricity services by any other legal entity.</li> </ul>	<p>an AER waiver has been granted or an exemption exists and explains the obligations that Essential Energy has with regards to Intium.</p> <p>Training is delivered via Essential Energy’s online training system and completion by staff is recorded and monitored. All new employees complete ring-fencing training as part of their induction training. Refresher training is undertaken annually by all staff.</p> <p>Education and awareness is also provided via two Intranet sites, namely Ring-fencing and Working with Intium. Both sites are maintained by the Compliance Team.</p>
<p><b>4.1(c)</b> Without limiting its scope, clause 4.1(b) requires a DNSP to:</p> <ul style="list-style-type: none"> <li>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);</li> <li>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;</li> <li>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</li> </ul>	<p><b>Contracted Services Agreement (preventative control)</b></p> <p>The Contracted Services agreement between Essential Energy and Intium describes the terms and conditions under which Essential Energy provides project delivery services to Intium. This agreement states that Essential Energy will not discriminate in favour of Intium when it provides connectivity or other services to them.</p> <p><b>Contracted Services Protocol (preventative control)</b></p> <p>The Contracted Services Protocol describes how Essential Energy and Intium will interact in the provision of Contracted Services by Essential Energy to Intium. This includes adherence to the Ring-fencing Guideline principles of not discriminating in favour of its RESP, not sharing electricity or other ring-fenced information, and not cross-subsidising services provided by the DNSP to its RESP.</p> <p><b>Shared Services Agreement (preventative control)</b></p> <p>The Shared Services Agreement between Intium and Essential Energy details the terms and conditions that apply in the provision of shared services to Intium.</p> <p><b>Shared Services Operating Protocol (preventative control)</b></p> <p>Essential Energy has a Shared Services Operating Protocol that describes the services that may be provided to Intium under the Shared Services Agreement, the roles, responsibilities, governance and processes for doing so, and how Essential Energy maintains compliance with the Ring-fencing Guideline in providing these services.</p>

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	<p>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) or the related electricity service provider where the disclosure would, or would be likely to, provide an advantage to the related electricity service provider.</p>	<p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p> <p><b>Ring-fencing Intranet site (preventative control)</b></p> <p>Essential Energy maintains a Ring-fencing Intranet site that provides employees with information on Ring-fencing obligations and the implications for Essential Energy. This site is maintained by the Compliance Team.</p> <p><b>Advice provided to Intium Board of Directors (preventative control)</b></p>
4.1(d)	<p>A DNSP must not discriminate (either directly or indirectly) between two legal entities, in connection with the supply of contestable electricity services by those legal entities, on the basis of the use by one or both of those legal entities of assets owned, operated or otherwise controlled (in whole or in part) by the DNSP.</p>	<p>Essential Energy has provided advice to the Intium Board of Directors, who are also members of the Essential Energy Executive Leadership Team, about the obligations of the Guideline and implications for the Intium Board of Directors.</p>
<b>Offices, staff, branding and promotions</b>		
4.2.1(a)	<p>Subject to this clause 4.2.1, in providing direct control services, a DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.</p>	<p><b>Regional office analysis and register (preventative control)</b></p> <p>Essential Energy analyses its regional office locations and numbers of connection points on a quarterly basis to determine whether each office qualifies for the regional office exemption to ensure the regional office register is accurate and up to date. The register is used as a reference for offices that qualify for the regional office exemption and assists with complying with clause 4.2.1(a) of the Guideline.</p>

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	<p><b>Office register (preventative control)</b></p> <p>Essential Energy maintains an office register that lists the offices and depots housing staff who have provided shared or contracted services to Intium and the applicable Guideline exemption. This register is reviewed and updated by the Compliance team on a quarterly basis and published on Essential Energy’s website.</p> <p><b>Separate Intium Offices in Sydney and Port Macquarie (preventative control)</b></p> <p>Intium has its own offices in Sydney and Port Macquarie, separate from Essential Energy offices. Intium employees do not have access to Essential Energy offices.</p> <p><b>Training and awareness (preventative control)</b></p> <p>All staff are required to undergo training on Essential Energy’s ring-fencing obligations. The training provides awareness and knowledge that Essential Energy does not provide other services unless an AER waiver has been granted or an exemption exists and explains the obligations that Essential Energy has with regards to Intium.</p> <p>Training is delivered via Essential Energy’s online training system and completion by staff is recorded and monitored. All new employees complete ring-fencing training as part of their induction training. Refresher training is undertaken annually by all staff.</p> <p>Education and awareness is also provided via two Intranet sites, namely Ring-fencing and Working with Intium. Both sites are maintained by the Compliance Team.</p> <p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p> <p><b>Periodic Reviews of Physical Access Rights (preventative control)</b></p> <p>Essential Energy conducts access reviews on a periodic basis for both Essential Energy and Intium employees.</p>

RING-FENCING OBLIGATION	COMPLIANCE MEASURES
<p><b>4.2.2(a)</b> 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>	<p><b>Shared services agreement (preventative control)</b></p> <p>Agreement between Intium and Essential Energy that defines corporate services that may be provided by Essential Energy to Intium including general administration, human resources, payroll, and legal and regulatory services.</p> <p><b>Staff register (preventative control)</b></p> <p>Essential Energy maintains a staff register that lists the staff who were shared with Intium and the applicable Guideline exemption. This register is checked and updated by the Compliance team on a quarterly basis and published on Essential Energy’s website.</p> <p><b>Training and awareness (preventative control)</b></p> <p>All staff are required to undergo training on Essential Energy’s ring-fencing obligations. The training provides awareness and knowledge that Essential Energy does not provide other services unless an AER waiver has been granted or an exemption exists and explains the obligations that Essential Energy has with regards to Intium.</p> <p>Training is delivered via Essential Energy’s online training system and completion by staff is recorded and monitored. All new employees complete ring-fencing training as part of their induction training. Refresher training is undertaken annually by all staff.</p> <p>Education and awareness is also provided via two Intranet sites, namely Ring-fencing and Working with Intium. Both sites are maintained by the Compliance Team.</p> <p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p> <p><b>Physical Access Controls documented (preventative control)</b></p>

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		The physical security controls for Essential Energy and Intium employees are documented in the Physical Security Framework CECP7029 and the Access Management and Control Company Procedure CEOP7029.11. This includes onboarding and offboarding processes for secondees.
4.2.2(c)	The remuneration, incentives and other benefits (financial or otherwise) a DNSP provides to a member of its staff must not give the member of staff an incentive to act in manner that is contrary to the DNSP's obligations under this Guideline.	<p><b>Employee performance measures (preventative control)</b></p> <p>Essential Energy applies a standard set of behavioural employee performance measures across all employees that align to the company strategy and its vision, purpose and values, which is to comply with not only the Guideline but all regulatory obligations. The performance measures are reviewed and approved by senior levels of Management and apply to all employees.</p> <p><b>Corporate scorecard (detective control)</b></p> <p>The company maintains a corporate scorecard to track business performance against Board agreed metrics, including tracking compliance with regulatory and legal requirements. Monthly reporting by management on performance on the compliance element in the scorecard assists in detecting breaches by requiring the identification and reporting of breaches within the business. Performance against the scorecard is factored into employee remuneration and short term incentives.</p>
4.2.3(a)	<p>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><b>Separate branding for Essential Energy from affiliated entities (preventative control)</b></p> <p>Essential Energy has independent branding for the provision of direct control services from branding used for the provision of other or contestable electricity services via its affiliate, Intium.</p> <p>Intium has its own independent branding, website, and marketing staff.</p> <p><b>Regional office analysis and register (preventative control)</b></p> <p>Essential Energy analyses its regional office locations and numbers of connection points on a quarterly basis to determine whether each office qualifies for the regional office exemption to ensure the regional office register is accurate and up to date. The register is used as a reference for offices that qualify for the regional office exemption and assists with complying with clause 4.2.1(a) of the Guideline.</p> <p><b>Office register (preventative control)</b></p>

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<ul style="list-style-type: none"> <li>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);</li> <li>iii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</li> </ul>	<p>Essential Energy maintains an office register that lists offices and depots housing staff who have provided shared or contracted services to Intium and the applicable Guideline exemption. This register is reviewed and updated by the Compliance team on a quarterly basis and published on Essential Energy’s website.</p> <p><b>Training and awareness (preventative control)</b></p> <p>All staff are required to undergo training on Essential Energy’s ring-fencing obligations. The training provides awareness and knowledge that Essential Energy does not provide other services unless an AER waiver has been granted or an exemption exists and explains the obligations that Essential Energy has with regards to Intium.</p> <p>Training is delivered via Essential Energy’s online training system and completion by staff is recorded and monitored. All new employees complete ring-fencing training as part of their induction training. Refresher training is undertaken annually by all staff.</p> <p>Education and awareness are also provided via two Intranet sites, namely Ring-fencing and Working with Intium. Both sites are maintained by the Compliance Team.</p> <p><b>Social Media Guidelines (preventative control)</b></p> <p>Essential Energy has a Social Media Policy CECP3190 that provides guidelines on acceptable use of social media. It includes guidance on interacting with or speaking about Intium which aims to ensure compliance with ring-fencing obligations.</p> <p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>

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<p><b>4.2.4(a)</b> A DNSP must establish, maintain and keep a register that identifies:</p> <ul style="list-style-type: none"> <li>i. the classes of offices to which it has not applied clause 4.2.1(a) by reason of clauses 4.2.1(b)i. or 4.2.1(b)iii.;</li> <li>ii. the staff positions (including a description of the roles, functions and duties) of those staff positions to which it has not applied clause 4.2.2(a) by reason of clauses 4.2.2(b)i.a, 4.2.2(b)i.b, 4.2.2(b)iii. or 4.2.2(d);</li> <li>iii. the staff positions referred to in clause 4.2.4(a)ii, which are held, or have been held within the previous three months, by a member of staff whose access to electricity information ceased upon, or in the 12 months prior to, commencing in that position, and the dates on which that member of staff commenced to hold and (if applicable) ceased to hold that position.</li> </ul>	<p><b>Office register (preventative control)</b></p> <p>Essential Energy maintains an office register that lists the offices and depots housing staff who have provided shared or contracted services to Intium and the applicable Guideline exemption. This register is reviewed and updated by the Compliance team on a quarterly basis and published on Essential Energy’s website.</p> <p><b>Staff register (preventative control)</b></p> <p>Essential Energy maintains a staff register that lists the staff who were shared with Intium and the applicable Guideline exemption. This register is reviewed and updated by the Compliance team on a quarterly basis and published on Essential Energy’s website. As an input to this, Essential Energy captures information on employees who have provided contracted services to Intium each quarter.</p> <p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>
<p><b>4.2.4(b)</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</p>	

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<p>updated version is current to the end of the calendar month that is immediately prior to the required publication date for that updated version under this clause 4.2.4(b).</p>	
<p><b>Information access and disclosure</b></p>	
<p><b>4.3.1</b> Subject to this clause 4.3, a DNSP must:</p> <ul style="list-style-type: none"> <li>(a) keep ring-fenced information confidential; and</li> <li>(b) only use ring-fenced information for the purpose for which it was acquired or generated.</li> </ul>	<p><b>IT restrictions on information access (preventative control)</b></p> <p>Essential Energy maintains ring-fenced and other confidential information on secure IT systems with identity access management. Employees are granted access to ring-fenced information based on their role.</p> <p>Information separation is also maintained between Essential Energy and Intium through separate IT platforms and software solutions, including for business capability and development, sales and marketing, project management, and social media.</p> <p><b>Training and awareness (preventative control)</b></p> <p>All staff are required to undergo annual refresher training on Essential Energy’s ring-fencing obligations. The training includes guidance about information separation requirements between Essential Energy and its RESP. Training is delivered via Essential Energy’s online training system and completion by staff is recorded and monitored.</p> <p>All staff are required to undertake induction and annual cyber security training so that staff are well informed and skilled in practices to appropriately protect and handle protected information and data within Essential Energy systems, including ring-fenced information. Training is delivered via Essential Energy’s online training system and completion by staff is recorded and monitored.</p> <p>In addition to undertaking all-employee training, the Digital Services team have received specific awareness briefings on Ring-fencing obligations and the implications for information separation.</p> <p><b>Periodic compliance checks (detective control)</b></p>

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	<p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>
<p><b>4.3.2</b> A DNSP must not disclose ring-fenced information to any person, including a related electricity service provider, unless:</p> <ul style="list-style-type: none"> <li>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the ring-fenced information relates;</li> <li>(b) the disclosure is required by, or for the purpose of complying with any law;</li> <li>(c) the disclosure is necessary to enable the DNSP to provide its distribution services or transmission services or its other services (including by acquiring services from other legal entities);</li> <li>(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</li> </ul>	<p><b>Information Sharing Protocol (preventative control)</b></p> <p>Essential Energy has an Information Sharing Protocol that sets out the process for sharing information with other entities, including ASPs, related electricity service providers and other legal entities. This protocol ensures that ring-fenced information:</p> <ul style="list-style-type: none"> <li>▶ is not disclosed inappropriately</li> <li>▶ is only used for the purpose for which it was acquired or generated; and</li> <li>▶ where disclosed to a related electricity service provider, is provided to other legal entities on an equal basis.</li> </ul> <p>The Information Sharing Protocol sets out the application process for obtaining ring-fenced information including:</p> <ul style="list-style-type: none"> <li>▶ provision of an application form requesting information on the legal entity, the ring-fenced information requested and the purpose for the request; and</li> <li>▶ agreement to an information sharing Deed Poll binding the legal entity receiving the information to comply with certain requirements of the Guideline as if it were Essential Energy, including strict confidentiality clauses.</li> </ul> <p>The Information Sharing Protocol further details Essential Energy’s assessment process for disclosure of ring-fenced information under the Guideline and is available on Essential Energy’s website.</p> <p><b>Information Register (detective control)</b></p>

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<p>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>(i) another legal entity, other than a related electricity service provider of the DNSP, has requested the disclosure.</p>	<p>Essential Energy maintains an Information Register with requests from all service providers, including related electricity service providers and other legal entities that provide contestable electricity services.</p> <p>The register is updated by the Compliance team as information requests are received or otherwise each quarter. The register is published on the Essential Energy’s website alongside the Information Sharing Protocol.</p> <p>To date Essential Energy has received no information requests.</p> <p><b>Training and awareness (preventative control)</b></p> <p>All staff are required to undergo annual refresher training on Essential Energy’s ring-fencing obligations. The training includes guidance about information separation requirements between Essential Energy and its RESP. Training is delivered via Essential Energy’s online training system and completion by staff is recorded and monitored.</p> <p>All staff are required to undertake induction and annual cyber safety training so that staff are well informed and skilled in practices to appropriately protect and handle protected information and data within Essential Energy systems. Training does not specifically address ring-fenced information, but more broadly teaches appropriate behaviours to secure information from external threats.</p> <p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>
<p><b>4.3.3(a)</b> Subject to clause 4.1(c)iv and to this clause 4.3.3, where a DNSP shares ring-</p>	

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	fenced information with a related electricity service provider, or where ringfenced information that a DNSP has disclosed under clause 4.3.2(f) is then disclosed by any person to a related electricity service provider of the DNSP, the DNSP must provide access to that ring-fenced information (including the derived information) to other legal entities on an equal basis.	
<b>4.3.3(d)</b>	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 4.3.4(a) available to legal entities, and must make that protocol publicly available on its website.	
<b>4.3.3(e)</b>	Where a DNSP discloses information referred to in clause 4.3.3(a) to any other legal entity under this clause 4.3.3, it must do so on terms and conditions that require the other legal entity to comply with clause 4.3.1 and 4.3.2(a) to (d) in relation to that information as if the other legal entity was a DNSP.	
<b>4.3.4(a)</b>	A DNSP must establish, maintain and keep a register of all: <ul style="list-style-type: none"> <li>i related electricity service providers;</li> </ul>	<b>Information Sharing Protocol (preventative control)</b>

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	<p>ii other legal entities who provide contestable electricity services but who are not affiliates of the DNSP;</p> <p>who request access to information identified in clause 4.3.3(a), and must make the register publicly available on its website.</p>	<p>Essential Energy has an Information Sharing Protocol that sets out the process for sharing information with other entities, including ASPs, related electricity service providers and other legal entities. This protocol ensures that ring-fenced information:</p> <ul style="list-style-type: none"> <li>▶ is not disclosed inappropriately</li> <li>▶ is only used for the purpose for which it was acquired or generated</li> <li>▶ where disclosed to a related electricity service provider, is provided to other legal entities on an equal basis.</li> </ul>
4.3.4(b)	<p>For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.3(a), the DNSP's information register must:</p> <ul style="list-style-type: none"> <li>i identify the kind of information requested by the legal entity; and</li> <li>ii describe the kind of information requested by the legal entity in sufficient detail to enable other legal entities to make an informed decision about whether to request that kind of information from the DNSP.</li> </ul>	<p>The information sharing protocol sets out the application process for obtaining ring-fenced information including:</p> <ul style="list-style-type: none"> <li>▶ provision of an application form requesting information on the legal entity, the ring-fenced information requested and the purpose for the request</li> <li>▶ agreement to an information sharing Deed Poll binding the legal entity receiving the information to comply with certain requirements of the Guideline as if it were Essential Energy, including strict confidentiality clauses.</li> </ul> <p>The Information Sharing Protocol further details Essential Energy's assessment process for disclosure of ring-fenced information under the Guideline and is available on Essential Energy's website.</p> <p><b>Information register (preventative control)</b></p>
4.3.4(c)	<p>A legal entity may request that the DNSP include it on the information register in relation to some or all of the kinds of information that the DNSP is required to provide under clause 4.3.3(a), and the DNSP must comply with that request.</p>	<p>Essential Energy maintains an Information Register with requests from all service providers, including related electricity service providers and other legal entities that provide contestable electricity services.</p> <p>The register is updated by the Compliance team as information requests are received or otherwise each quarter. The register is published on the Essential Energy website alongside the Information Sharing Protocol.</p> <p>To date Essential Energy has received no information requests.</p>

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<b>Service Providers</b>	
<p><b>4.4.1(a)</b> A DNSP must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, required the service provider to comply in providing those services, with:</p> <ul style="list-style-type: none"> <li>i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.1 of this Guideline; and</li> <li>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP;</li> </ul> <p>as if the service provider was the DNSP.</p>	<p><b>Terms and conditions for service providers (preventative control)</b></p> <p>A ring-fencing assessment process is embedded within Essential Energy’s Procurement procedures and the Procurement Plan template. Guidance has been provided to employees on the Procurement procedure and ring-fencing obligations. Where a ring-fencing impact is identified the Compliance and Legal teams will be involved so that the correct clauses are included in the relevant contracts. Essential Energy’s standard terms and conditions also include ring-fencing considerations.</p> <p><b>Ring Fencing Procurement Controls (preventative control)</b></p> <p>Company Procedure CEOP0009.06 Source to Contract includes ring-fencing procurement controls. This includes an assessment of whether the procurement will have any Ring-fencing implications.</p>
<p><b>4.4.1(b)</b> A DNSP must not, directly or indirectly encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP’s obligations under clause 4 of this Guideline.</p>	<p><b>Intium Business Unit in Oracle ERP (preventative control)</b></p> <p>Oracle ERP contains a separate Intium Business Unit to support an independent procurement function for Intium. This reduces risk that an Intium employee may be provided inappropriate access to Essential Energy information.</p> <p><b>Training and awareness (preventative control)</b></p> <p>All staff are required to undergo training on Essential Energy’s ring-fencing obligations. The training provides awareness and knowledge that Essential Energy does not provide other services unless an AER waiver has been granted or an exemption exists and explains the obligations that Essential Energy has with regards to Intium.</p> <p>Training is delivered via Essential Energy’s online training system and completion by staff is recorded and monitored. All new employees complete ring-fencing training as part of their induction training. Refresher training is undertaken annually by all staff.</p> <p>Education and awareness is also provided via two Intranet sites, namely Ring-fencing and Working with Intium. Both sites are maintained by the Compliance Team.</p>

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		<p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>
<b>Waiver register</b>		
<b>5.7(a)</b>	A DNSP must establish, maintain, and keep a register of all waivers (including a 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><b>Waiver Register (preventative control)</b></p> <p>Essential Energy maintains a Waiver Register of individual and class waivers granted by the AER. The register includes a description of the obligation/s waived, other service/s provided, and conditions that apply. The Compliance Team updates the register on a quarterly basis, or as waivers are granted or expire.</p>
<b>5.7(b)</b>	<p>The register established under clause 5.7(a) must include:</p> <ul style="list-style-type: none"> <li>i the description of the conduct to which the waiver or interim waiver applies; and</li> <li>ii the terms and conditions of the waiver or interim waiver;</li> </ul> <p>as set out in the AER’s written decision, provided by the AER to the DNSP, to grant (or vary) the waiver or interim waiver.</p>	
<b>Maintaining compliance</b>		

RING-FENCING OBLIGATION		COMPLIANCE MEASURES
<p><b>6.1</b></p>	<p>A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline. The AER may require the DNSP to demonstrate the adequacy of these procedures upon reasonable notice.</p> <p>However, any statement made or assurance given by the AER concerning the adequacy of the DNSP's compliance procedures does not affect the DNSP's obligations under this Guideline.</p>	<p><b>Policies and procedures (preventative control)</b></p> <p>Essential Energy has the following policies and procedures in place that guides its internal compliance procedures. It is also imbedded in the training provided to employees:</p> <ul style="list-style-type: none"> <li>▶ Ring-Fencing Policy – CEC2476. This policy applies to all Essential Energy employees, contractors and service providers and outlines Essential Energy's approach to compliance with the obligations outlined in the Guideline.</li> <li>▶ Ring-Fencing Procedure - CEOP2477. This document provides guidance to Essential Energy employees on how to adhere to the Ring-Fencing Policy.</li> <li>▶ Ring-Fencing Compliance Monitoring and Reporting Procedure - CEOP2480. This document outlines the processes for undertaking breach management and reporting and preparing the annual compliance report.</li> </ul> <p><b>Breach management process (preventative and corrective control)</b></p> <p>Essential Energy has a breach management process in place that guides identification, notification, investigation, remediation and reporting on ring-fencing compliance breaches. This process is documented in the Ring-Fencing Compliance Monitoring and Reporting Procedure - CEOP2480.</p> <p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>
<p><b>6.2.1</b></p>	<p>Annual compliance report</p> <p>(a) A DNSP must prepare an annual ringfencing compliance report each regulatory year in accordance with</p>	<p><b>Ring-fencing compliance report (preventative control)</b></p> <p>Essential Energy has prepared this report to comply with clause 6.2.1 and in line with its processes documented in CEOP2480 Ring-Fencing Compliance Monitoring and Reporting Procedure.</p>

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<p>this clause 6.2.1, and submit it to the AER in accordance with clause 6.2.2.</p> <p>(b) The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:</p> <ul style="list-style-type: none"> <li>i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline;</li> <li>ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP;</li> <li>iii. all other services provided by the DNSP in accordance with clause 3.1; and</li> <li>iv. the purpose of all transactions between the DNSP and an affiliated entity.</li> </ul> <p>(c) The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.</p> <p>(d) A DNSP's annual compliance report may, in relation to clause 3.2 of this Guideline, be based on information provided to the AER under a regulatory information notice for the DNSP's most recent regulatory year.</p>	<p>The report is compiled by the Compliance team, based upon results from the periodic compliance check process that covers the relevant calendar year period 1 January to 31 December 2025 where information was requested from business managers on their activities and monitoring and review of potential breaches.</p> <p>The report is subject to internal management review and approval. The report will be submitted to the AER by 30 April 2026.</p> <p><b>Breach management process (preventative and corrective control)</b></p> <p>Essential Energy has a breach management process in place that guides identification, notification, investigation, remediation and reporting on ring-fencing compliance breaches. This process is documented in the Ring-Fencing Compliance Monitoring and Reporting Procedure - CEOP2480.</p> <p><b>Independent assessment (preventative control)</b></p> <p>Essential Energy engaged KPMG to undertake an assessment of its compliance with the Guideline in the reporting period. The outcome of KPMG's independent assessment will accompany the report when it is lodged with the AER.</p> <p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>

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<p>If so, that annual compliance report must cover, in relation to clause 3.2 of this Guideline, the entirety of that regulatory year.</p> <p>(e) Annual compliance reports may be made publicly available by the AER.</p>	
<p><b>6.2.2(a)</b> Timing of annual compliance reporting</p> <p>Subject to clause 6.2.2(b), a DNSP must submit its annual compliance report to the AER within four months of the end of the regulatory year to which the compliance report relates.</p>	
<p><b>6.2.3(a)</b> Regulated stand-alone power systems reporting</p> <p>A DNSP must establish, maintain and keep a register that identifies for each stand-alone power system used by the DNSP to provide other services:</p> <ul style="list-style-type: none"> <li>i. the local government area in which the standalone power system is deployed;</li> <li>ii. the number of premises served by the standalone power system;</li> <li>iii. the maximum demand, in KW, served by the stand-alone power system;</li> </ul>	<p><b>Stand-alone power system (SAPS) register (preventative control)</b></p> <p>The <a href="#">SAPS register</a> is reviewed and updated by the Compliance Team on a quarterly basis and published on Essential Energy’s website.</p> <p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>

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	<ul style="list-style-type: none"> <li>iv. the aggregated annual average energy consumption, in kWh, of the premises served by the stand-alone power system;</li> <li>v. the revenue earned by the DNSP for providing other services by means of the stand-alone power system in the current calendar year; and</li> <li>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).</li> </ul>	
<b>6.2.3(b)</b>	No later than 15 January, 15 April, 15 July, and 15 October each year, a DNSP must publish, on its website, an updated version of each of the registers referred to in clause 6.2.3(a). The DNSP must ensure that the information published in each updated version is current to the end of the calendar month that is immediately prior to the required publication date for that updated version under this clause 6.2.3(b).	
<b>6.3</b>	A DNSP must notify the AER in writing within 15 business days of becoming aware of a material breach of its obligations under this Guideline, except for a breach of clause 6.2.2 or this clause	<p><b>Breach management process (preventative and corrective control)</b></p> <p>Essential Energy has a breach management process in place that guides identification, notification, investigation, remediation and reporting on ring-fencing compliance breaches. This process is documented in the procedure Ring-fencing Compliance Monitoring and Reporting CEOP2480.</p>

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<p>6.3 of this Guideline. The AER may seek enforcement of this Guideline by a court in the event of any breach of this Guideline by a DNSP, in accordance with the NEL.</p>	<p><b>Periodic compliance checks (detective control)</b></p> <p>The Compliance team periodically requests information from business managers on their activities, which covers any required changes to registers and breaches of the Guideline. Periodic compliance checks are conducted either quarterly or annually, based on risk, which assists in detecting breaches by drawing upon business managers knowledge of their operations and requiring them to confirm compliance with the Guideline or report any breaches.</p>

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