

2025 Ring-Fencing Compliance Report

1 January 2025 – 31 December 2025

12 March 2026

Official



Powering a
Bright Future

TasNetworks acknowledges the palawa (Tasmanian Aboriginal community) as the original owners and custodians of lutruwita (Tasmania). TasNetworks, acknowledges the palawa have maintained their spiritual and cultural connection to the land and water. We pay respect to Elders past and present and all Aboriginal and Torres Strait Islander peoples.

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1 Background

The Australian Energy Regulator (AER) has produced the Electricity Distribution Ring-Fencing Guideline (Distribution Guideline), and the Electricity Transmission Ring-Fencing Guideline (Transmission Guideline) (together, the Guidelines). The Guidelines impose obligations on both Distribution and Transmission Network Service Providers (DNSPs) (TNSPs) targeted at:

- preventing discrimination in favour of their related parties operating in contestable markets;
- preventing the use of revenue earned from regulated services to cross-subsidise contestable services; and
- ensuring DNSPs and TNSPs handle ring-fenced information appropriately.

During the reporting period, Tasmanian Networks Pty Ltd (ACN 167 357 299) (TasNetworks) and affiliated entities, Fortytwo24 Pty Ltd (ACN 117 987 925) (42-24) and TasNet Connections Pty Ltd (ACN 633 576 628) (TNC) undertook a number of compliance activities, including:

- compliance training for staff;
- balancing separate accounts;
- separating assets using cost allocation and attribution methods; and
- adhering to disclosure, protection and sharing of confidential information policies.

1.1 Purpose

This Annual Ring-Fencing Compliance Report, for the 12 months ended 31 December 2025 has been produced to fulfil TasNetworks' reporting requirements as set in clause 6.2 of the Guidelines.

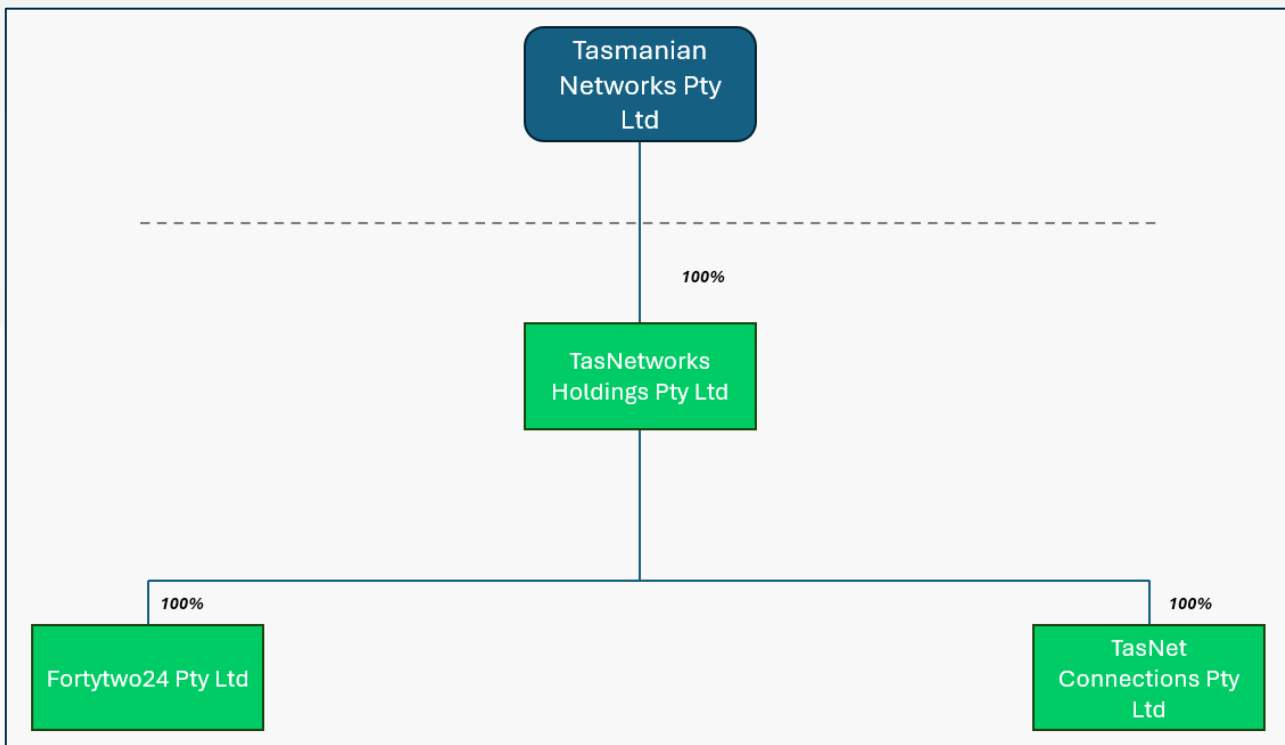
TasNetworks confirms that the Report is compliant with the Guidelines and does not claim confidentiality over this Report.

1.2 Corporate Overview

TasNetworks is a TNSP and DNSP, meaning it must be compliant with both of the Guidelines. During the reporting period, TasNetworks had two wholly owned subsidiaries. These being:

1. 42-24 Pty Ltd; and
2. TNC Pty Ltd.

Figure 1 shows the relationships between the entities as at 31 December 2025.



In 2025, 42-24 offered contestable electricity services as defined by the Distribution Guideline. To maintain compliance, relevant controls were in place as detailed further below. 42-24 also offered a number of 'other services' that require legal separation¹, including:

- Telecommunications;
- Data centre services; and
- IT Services.

In 2025, TNC Pty Ltd did not operate as a subsidiary. Instead, TNC operated as a business unit up until 15 August 2025 and was set up to offer contestable electricity services as defined by the Transmission Guideline during this time. To maintain compliance, relevant controls were in place as detailed further below. In 2025, TNC did not provide 'other services' and therefore did not require legal separation².

2 Measures to Ensure Compliance

Clause 6.2.1(b)i. of the Guidelines requires that the annual compliance report must identify and describe the measures the DNSP/TNSP has taken to ensure compliance with its obligations under the Guidelines.

A mandatory ring-fencing training package is required for all TasNetworks new starters along with the obligation that all existing employees complete a refresher course every 2 years. These requirements aim to make all TasNetworks team members aware of ring-fencing obligations. The training includes:

- an introduction to ring-fencing;

¹ Clause 3.1(b) of the Distribution Guideline

² Clause 3.1(b) of the Transmission Guideline

- an overview of obligations to not discriminate according to 4.1(b) and (c) of the Guidelines;
- hypothetical scenarios which may be encountered by TasNetworks team members; and
- a short quiz.

In 2025, 100% of team members completed their required ring-fencing training.

TasNetworks also runs advanced ring-fencing training that targets employees who are at higher risk of engaging with ring-fencing activities. Employees deemed to be high risk include:

- teams with a specialised understanding of the network such as Asset Management and Network Operations;
- teams with specialised knowledge of the market such as supply chain; and
- project delivery teams who have knowledge of current and future projects.

In 2025, 96% of identified team members completed advanced ring-fencing training.

Measures used to ensure compliance with specific Guideline clauses are provided in the following sections.

2.1 Obligations to Establish and Maintain Accounts

Below is an explanation of the procedures and processes used by TasNetworks to ensure that its distribution and transmission services have been classified in accordance with clause 3.2 of the Guidelines.

2.1.1 Cost Capture and Financial Management Systems

TasNetworks' chart of accounts and costing systems have been established so that both operating and capital expenditure can be separately accounted for and reported in accordance with TasNetworks' AER approved Cost Allocation Methodology (CAM) and regulatory reporting requirements.

TasNetworks' principles, processes and policies all support compliance with the CAM. This includes the processes of attributing costs directly and of allocating shared costs to categories of service.

TasNetworks' cost allocation principles and policies consider the direct allocation of costs to:

- Regulated Transmission services;
- Non-regulated Transmission services;
- Negotiated Transmission services;
- Direct Control Distribution services;
- Unregulated Distribution services;
- Other Distribution services; and
- Negotiated Distribution services.

Costs that are not directly allocated to one particular service type (e.g. overhead costs) are subject to a shared allocation of costs between the services listed above.

The chart of accounts structure enables costs to be attributed directly to the categories of services provided by TasNetworks, 42-24 and TNC or automatically allocates costs between them.

Incurred costs are allocated to the following chart of account dimensions in the financial systems:

- responsibility centre/department/cost centre - defined as the area in the business that is responsible for the work performed;
- functional area - defined as the nature of the work being performed and is also used to identify between capital and operating expenditure as well as the type of work and associated service classification (work category); and
- cost element/general ledger code - defined as the nature of the costs incurred such as labour or contracted services.

The above dimensions form the basis of the cost hierarchy. Each dimension is assigned to a service classification. By establishing a clear relationship between dimensions and the categories of services, the financial systems ensure that costs are correctly attributed to the relevant service.

TasNetworks has three main types of costs:

- directly allocated or attributable costs (such as timesheet labour, materials, fleet, invoices for contracted services or via journal such as licences fees, etc.);
- on costs for labour, materials and fleet; and
- shared costs (allocated on the basis of causal cost allocators).

2.2 Obligation not to Discriminate

Clause 4.1 of the Guidelines places an obligation on the DNSP/TNSP to not discriminate (either directly or indirectly) between a Related Electricity Service Provider (RESP) and a competitor (or potential competitor) of a RESP in connection with the provision of:

1. direct control services/prescribed transmission services by the DNSP/TNSP (whether to itself or to any other legal entity); and/or
2. contestable electricity services by any other legal entity (Distribution Guideline only).

During the reporting period, controls were in place to meet the obligation not to discriminate between a RESP and a competitor. These included:

- placing restrictions on what TNC & 42-24 employees were able access within TasNetworks' document management system;
- conducting advanced training for team members that could have access to ring-fenced information; and
- keeping the information sharing register up to date to make sure that all competitors have equal access to information that is provided by TasNetworks to a RESP or legal entity.

During the reporting period, TasNetworks did not have enquiries from RESPs or other legal entities regarding concerns of anti-competitive behaviour.

2.3 Offices, Staff, Branding and Promotions

2.3.1 Physical Separation

Clause 4.2.1(a) of the Distribution Guideline obligates the DNSP to use offices that are separate from any offices in which a RESP provides contestable electricity services.

Up until November 2025, 42-24 was in separate offices to TasNetworks. In November, 42-24 moved to TasNetworks' Lenah Valley Head Office. This move was made because 42-24 were deemed to not have any opportunity to use electricity information in a discriminatory way.

During the time they operated as a business unit, TNC were located in the Lenah Valley Head Office, but did not provide contestable electricity services as defined by the Distribution Guideline.

This obligation does not apply to TasNetworks as a TNSP, as there are no physical separation/co-location requirements in the Transmission Guideline.

2.3.2 Staff Sharing

Clause 4.2.2(a) of the Distribution Guideline obligates the DNSP to ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of a RESPs contestable electricity services.

Clause 4.3 of the Transmission Guideline obligates the TNSP to ensure that its marketing staff involved in the provision of prescribed transmission services are not staff also involved in the provision of contestable electricity services by a RESP, or vice versa.

In the reporting period, TasNetworks has not had any marketing staff involved in the provision of prescribed or direct control services also involved in the provision of contestable electricity services.

2.3.3 Branding and Cross Promotion

Clause 4.2.3(a) of the Distribution Guideline requires DNSPs to:

- Use branding for its direct control services that is independent and separate from the branding used by a RESP for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the RESP are related.
- Not advertise or promote its direct control services and its contestable electricity services together (including by way of cross-advertisement or cross-promotion).
- Not advertise or promote contestable electricity services provided by a related electricity service provider.

Whilst 42-24 did offer contestable electricity services as defined by the Distribution Guideline, these services were not subject to the clause 4.2.3(a) by way of clause 4.2.3(b)(iii).

This obligation does not apply to TasNetworks as a TNSP, as there are no branding and cross promotion requirements in the Transmission Guideline.

2.3.4 Office and Staff Registers

Clause 4.2.4 (a) of the Distribution Guideline requires DNSPs to establish, maintain and keep a register that identifies:

- RESPs who provide contestable electricity services that the DNSP has not physically separated or co-located from;
- the staff positions (including a description of the roles, functions and duties) of those staff positions who are involved in the provision of marketing direct control services and a RESPs contestable electricity services; and
- the staff positions referred to above 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.

Clause 4.2.4 (b) states that '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 above. The DNSP must ensure that the information published in each updated version is current to the end of the calendar month that is immediately prior to the required publication date for that updated version under this clause 4.2.4(b)'.

TasNetworks' [Shared Office Register](#) details all the shared offices where TasNetworks provides direct control services and contestable electricity services as defined by the Distribution Guideline. The Shared Office Register is available on [TasNetworks' external website](#), as per the Distribution Guideline requirements.

TasNetworks' [Shared Staff Register](#) details all of TasNetworks' shared staff providing contestable electricity services as defined by the Guidelines. The Shared Staff Register is available on [TasNetworks' external website](#), as per the Guidelines requirements.

2.4 Information Access and Disclosure Obligations

TasNetworks has developed protocols to comply with the disclosure of information and sharing of information obligations (clauses 4.3.2 and 4.3.3 of the Distribution Guideline and clauses 4.2.2 and 4.2.3 of the Transmission Guideline).

TasNetworks has published its [Information Sharing Protocol](#) on its [external website](#), as per clause 4.3.3(d) of the Distribution Guideline and clause 4.2.3(d) of the Transmission Guideline. This document sets out the process through which TasNetworks will share information, pursuant to clause 4.3.3/4.2.3 of the Distribution/Transmission Guideline, and the disclosure of information, pursuant to clause 4.3.2/4.2.2 of the Distribution/Transmission Guideline.

To assist staff with managing information, the suite of ring-fencing training addresses information management as a key topic. Additionally, an internal protocol has been developed to provide guidance regarding information sharing.

TasNetworks has also established an information sharing register in accordance with the Guidelines. TasNetworks' [Information Sharing Register](#) contains details of all valid request for ring-fenced information made by RESPs and other legal entities.

2.5 Conduct of Service Providers

TasNetworks must ensure that any new or varied agreement between TasNetworks and a service provider includes provisions requiring the service provider to comply with clause 4.4.1(a) of the

Guidelines. TasNetworks must also not directly or indirectly encourage or incentivise a service provider to engage in conduct contrary to clause 4 of the Guidelines.

To ensure compliance with these obligations, TasNetworks has included relevant ring-fencing provisions in all contracts with service providers to ensure that ring-fencing obligations are defined and managed.

3 Breaches

On 19 June 2025, TasNetworks reported a breach of the Distribution Guideline to the AER.

3.1 Before You Dig Australia

TasNetworks notified the AER that it had breached clause 3.1(b) of the Distribution Guideline by providing an 'other service' when it entered private electrical assets into Before You Dig Australia (BYDA).

After preliminary meetings with the AER, TasNetworks decided to submit a ring-fencing waiver application to allow the provision of the BYDA services.

On 2 October 2025, TasNetworks submitted its waiver application to the AER. TasNetworks will remain in breach of the Distribution Guideline until the AER releases a decision on the waiver application.

4 Other Services

Clause 6.2.1(b)iii. of the Guidelines require DNSPs/TNSPs to report all 'other services' provided by the DNSP/TNSP in accordance with clause 3.1 of the Guidelines.

The BYDA services discussed above are classified as an 'other service'. During the reporting period, the BYDA services were the only 'other services' that TasNetworks provided.

5 Connection Applications

The Transmission Guideline requires TNSPs to report on the connection applications it has received throughout the reporting period.

During the reporting period, TasNetworks received 11 connection applications. All these applications included the provision of contestable electricity services, however none of the contestable electricity services were provided by a RESP of TasNetworks.

During the reporting period, TasNetworks did not commission any new connections.

6 Transactions with Affiliated Entities

TasNetworks and its affiliate, 42-24, are parties to a Master Business Services Agreement under which TasNetworks provides 42-24 with:

- corporate services (which include Board, Company Secretary and General Counsel support, commercial services, financial analysis and reporting, information management, information technology and human resources);
- access to staff to perform work on behalf of 42-24; and
- access to assets for 42-24 to fulfil relevant contract obligations.

Corporate services are charged on either a fixed charge or do and charge basis. Access to staff and assets are charged based on relevant pricing principles that recover operating expenses, overheads and asset costs.

TasNetworks and 42-24 are also parties to an intercompany loan agreement, under which 42-24 is able to borrow funds from TasNetworks. The loan agreement is not currently being utilised.

7 Waivers

7.1 Background

TasNetworks had two temporary waivers from the Distribution Guideline (none from the Transmission Guideline) during the reporting period. These were:

- a class waiver for DNSP-led projects funded under the Australian Government’s Community Batteries for Household Solar Program; and
- a waiver for Reliability and Emergency Reserve Trader services. This waiver expired on 15 April 2025.

Further details may be found in [TasNetworks Waiver Register](#).

7.2 Community Batteries

During the reporting period, TasNetworks commissioned two community batteries under the class waiver for DNSP-led projects funded under the Australian Government’s Community Batteries for Household Solar Program.

In accordance with the [AERs Final Decision](#), TasNetworks must provide information regarding the total quantified benefit derived from these batteries in the most recent financial year.

Both of TasNetworks’ community batteries commenced operation 1 May 2025, meaning that the benefits calculated for the purpose of this compliance report are based on data from 1 May 2025 – 30 June 2025.

7.2.1 Network Benefits

TasNetworks calculated the network benefits derived from its community batteries in accordance with the [AER’s DER integration expenditure guidance note](#)³.

It is expected that TasNetworks’ community batteries will defer augmentation on the High Voltage (HV) distribution network. Considering there were no known short- or medium-term network

³ Section 4.2.1

constraints, network benefits were estimated using the Long Run Marginal Cost (LRMC) for the HV distribution network.

The aggregate battery capacity of the two community batteries is 236kW and the LRMC for the HV distribution network is \$56.47. Using these figures, the total quantified network benefit derived from the deployment of TasNetworks' community batteries from 1 May 2025 – 30 June 2025 is as calculated below.

$$236\text{kW} \times \$56.47 \times (2 / 12) = \$2,221.15$$

7.2.2 Non-network Benefits

Between 1 May 2025 – 30 June 2025, TasNetworks' community batteries did not provide a net non-network benefit.

This is primarily due to the revenue generated in the early months of operation being outweighed by large setup costs.

7.2.3 Comparison of Use

TasNetworks entered into a contractual agreement with Mondo Power Pty Ltd (Mondo) for operation of its community batteries. The terms of the agreement are for Mondo to provide battery market services and pay all net revenue to TasNetworks in return for an ongoing subscription fee to Mondo's Energy Management Platform.

Seeing as TasNetworks has no direct involvement in the operation of the batteries, 100% of battery usage is by Mondo. This is consistent with the initial proposed usage allocation.

7.2.4 Regulatory Asset Base Allocation

In the [AERs Guidance Note on the Community Battery Waiver](#), it states that it expects DNSPs to provide rigorous evidence to support the allocation of costs to the Regulatory Asset Base (RAB) at the time of annual compliance reporting. This evidence is provided below.

- TasNetworks' two community batteries are forecast to cost \$1,743,269 and have an asset life of 15 years.
- The community batteries are estimated to generate [REDACTED] of revenue per year through arbitrage when extrapolating the data based on the first four months of operation.
 - The current agreement with Mondo is for a yearly fee of [REDACTED] for subscription to its Energy Management Platform.
- Network benefits are estimated to be \$13,326.92 each year. Network benefits were estimated using the same LRMC method as was used in section 7.2.1.

The below table illustrates the estimated benefits derived from the community batteries over their 15 year asset life.

Year	Revenue	Mondo Fee	Non-Network Benefit	Network Benefit
1	[REDACTED]	[REDACTED]	\$6,000	\$13,326.92
2	[REDACTED]	[REDACTED]	\$6,000	\$13,326.92

3	██████	██████	\$6,000	\$13,326.92
4	██████	██████	\$6,000	\$13,326.92
5	██████	██████	\$6,000	\$13,326.92
6	██████	██████	\$6,000	\$13,326.92
7	██████	██████	\$6,000	\$13,326.92
8	██████	██████	\$6,000	\$13,326.92
9	██████	██████	\$6,000	\$13,326.92
10	██████	██████	\$6,000	\$13,326.92
11	██████	██████	\$6,000	\$13,326.92
12	██████	██████	\$6,000	\$13,326.92
13	██████	██████	\$6,000	\$13,326.92
14	██████	██████	\$6,000	\$13,326.92
15	██████	██████	\$6,000	\$13,326.92
Total	██████	██████	\$90,000	\$199,903.80

The estimated benefits result in a RAB allocation of 68.96%, as illustrated in the table below.

	Proportion	Cost Allocation
Network	68.96%	\$1,202,074.96
Non-Network	31.04%	\$541,194.04

TasNetworks received \$862,172 in grant funding for its two community batteries. This funding was used to fully offset the non-network cost stack and a portion of the network cost stack, as illustrated below.

	Total	Grant Funding	Remaining
Regulated	\$1,202,074.96	\$320,977.96	\$881,097
Non-Regulated	\$541,194.04	\$541,194.04	\$0

The remaining RAB allocation after offsetting the grant funding is \$975,035. It is important to note that TasNetworks does not expect these costs to be added to the RAB. The remainder of the regulated cost stack will instead be funded from the Demand Management Innovation Allowance Mechanism⁴.

⁴ [Distribution Demand Management Innovation Allowance Mechanism](#)



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