



Ausgrid

Australian Energy Regulator

Ring-Fencing Guideline Compliance Report

1 November 2018

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1. Background

The Australian Energy Regulator (the "AER") published the Electricity Distribution Ring-Fencing Guideline on 30 November 2016 under the National Electricity Rules (the "NER") with amendments made on 17 October 2017 (the "Guideline"). The Guideline provides for functional separation of regulated and competitive business activities to promote competition in the provision of contestable electricity services. The Guideline is effective from 1 December 2016 and Distribution Network Service Providers (DNSP) are required to comply not later than 1 January 2018. As required by the Guideline, Ausgrid must submit an annual Ring-Fencing compliance report to the AER by the 31st of October 2018. The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.

Under clause 6.2.1 (c) of the Guideline, Deloitte has been engaged by Ausgrid as the qualified independent authority to perform an independent assurance of Ausgrid's Ring-Fencing Annual Compliance Report (the "Compliance Report") to determine if it has been prepared, in all material respects, in accordance with the requirements of the Guideline for the period from 1 January 2018 to 30 June 2018 (the "audit period"). Deloitte's assurance engagement has been conducted with the objective of expressing an opinion on Ausgrid's compliance with the Guideline.

In accordance with an engagement letter between Ausgrid and Deloitte dated 27 August 2018, Deloitte conducted the assurance engagement in accordance with the Standard on Assurance Engagements ASAE 3100 Compliance Engagements. The standard requires us to comply with ethical requirements applicable to assurance engagements, and plan and perform procedures to obtain reasonable assurance about whether Ausgrid have complied with the Guideline, in all material respects, as evaluated against the Guideline Obligations.

2. Summary of Findings

2.1. Overview

The following table summarises observations and recommendations against the obligations where an exception is identified. The rating of each obligation has been applied in accordance with *Section 2.2*. Management response to the observations and recommendations are in *Section 5*.

No.	Category	GL ref	Guidance Obligation	Observations	Recommendations	Rating
7	Offices, staff, branding and promotions	4.2.1(a)	A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	<p>Ausgrid made a decision to use offices that are separate from its affiliate (with the exception of Ausgrid's Dee Why depot) and developed an accommodation plan to ensure that PLUS ES staff were not co-located with Ausgrid staff. Once completed, new PLUS ES profiles were created in the security system and PLUS ES branded access cards were issued to all PLUS ES staff with access limited to PLUS ES offices and depots only.</p> <p>Although new PLUS ES access cards were created, management did not remove the Ausgrid access cards from PLUS ES employees during the audit period. We found that Ausgrid staff who transferred over to PLUS ES retained electronic security access to both Ausgrid and affiliate office locations.</p> <p>Whilst communication and training has been provided to employees to manage adherence to the Ring-Fencing Guideline, an opportunity exists for affiliate staff to use their Ausgrid electronic access cards to obtain access to quarantined areas and hence potentially sensitive information.</p> <p>Our testing found that Ausgrid do not monitor whether affiliate employees have accessed Ausgrid locations.</p> <p>Without adequate monitoring, there is a risk that staff can access locations that contain confidential information without adequate consideration of Ring-Fencing compliance.</p>	<p>We recommend management:</p> <ul style="list-style-type: none"> Design and implement monitoring processes to confirm that only authorised personnel are able to access Ausgrid offices and assets and for the approved time period (for example to carry out approved tasks per work orders). Periodically test employee access to ensure DNSP and related electricity service providers cannot access the offices of the other. We further recommend management develop adequate controls for on-boarding and off-boarding staff or contractors to achieve compliance against this location-sharing obligation. 	Exception

No.	Category	GL ref	Guidance Obligation	Observations	Recommendations	Rating
8	Staff sharing	4.2.2(a)	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>Ausgrid provide employees to PLUS ES under a labour services agreement. At times, additional resources are required by PLUS ES to manage peak workloads at short notice. This temporary resourcing uplift is managed through short-term secondments.</p> <p>Through discussion with PLUS ES personnel we identified that during the audit period there were instances of short term secondments for up to 1-2 weeks at a time (Ausgrid personnel seconded to PLUS ES) that did not follow a formalised process.</p> <p>Without an adequate short-term secondment process, there is a risk that staff who are transferred or seconded to PLUS ES retain access to IT applications or material that contains confidential information without adequate consideration of Ring-Fencing compliance.</p>	<p>We recommend management:</p> <ul style="list-style-type: none"> Formalise a short-term secondment process and ensure all staff movement is monitored, organised and documented in line with the Guideline. 	Exception
11	Protection of confidential information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential information confidential (b) only use confidential information for the purpose for which it was acquired or generated	<p>During the transitional period, Ausgrid completed an extensive review of its intranet, website and IT systems resulting in recommendations to the Steering Committee on how to resolve the identified risks.</p> <p>A proposal was tabled at Ausgrid's Ring-Fencing Steering Committee for approval in December 2017 for access removal and this has not been approved, except for the segregation of intranet access. This means access to information systems has not been appropriately segregated and a number of systems exist where Ausgrid specific information may be accessible by employees of PLUS ES.</p> <p>PLUS ES staff have been instructed that they can only use Ausgrid IT systems that contain electricity information to perform services that enable and/or assist Ausgrid to supply DCS under the Service Agreements.</p> <p>No automated systems or manual monitoring is undertaken to determine how often PLUS ES employees are accessing Ausgrid systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information without adequate consideration of Ring-Fencing compliance.</p>	<p>We recommend management:</p> <ul style="list-style-type: none"> Apply access limitations to all employees to the extent required to perform the responsibilities of each role. Periodically test employee system access to ensure DNSP and related electricity service providers cannot access the systems which contain Ring-Fenced sensitive information. Undertake a task identifying systems containing confidential information and allocating access restrictions to these systems. 	Exception

No.	Category	GL ref	Guidance Obligation	Observations	Recommendations	Rating
12	Disclosure of information	4.3.3 (a)-(g)	<p>A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless:</p> <p>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the disclosure is required by, or for the purpose of complying with any law;</p> <p>(c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer;</p>	<p>During the transitional period, Ausgrid completed an extensive review of its intranet, website and IT systems resulting in recommendations to the Steering Committee on how to resolve the identified risks.</p> <p>A proposal was tabled at Ausgrid’s Ring-Fencing Steering Committee for approval in December 2017 for access removal and this has not been approved, except for the segregation of intranet access. This means access to information systems has not been appropriately segregated and a number of systems exist where Ausgrid specific information may be accessible by employees of PLUS ES.</p> <p>PLUS ES staff have been instructed that they can only use Ausgrid IT systems that contain electricity information to perform services that enable and/or assist Ausgrid to supply DCS under the Service Agreements.</p> <p>No automated systems or manual monitoring is undertaken to determine how often PLUS ES employees are accessing Ausgrid systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information without adequate consideration of ring-fencing compliance.</p>	<p>We recommend management:</p> <ul style="list-style-type: none"> • Apply access limitations to all employees to the extent required to perform the responsibilities of each role. • Periodically test employee system access to ensure DNSP and related electricity service providers cannot access the systems which contain Ring-Fenced sensitive information. • Undertake a task identifying systems containing confidential information and allocating access restrictions to these systems. 	Exception

No.	Category	GL ref	Guidance Obligation	Observations	Recommendations	Rating
			<p>(e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other 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 of the DNSP</p> <p>(g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>			

2.2. Rating Applied

No Exception	Requirements of the DNSP condition have been met with no or only minor improvement opportunities. Findings noted are considered minor and require routine efforts to correct in the normal course of business.
Exception	The requirements of the DNSP condition have not been fully met, or key processes or controls that support the requirements may be inadequate for the compliance objective to be fully evidenced as being met. Findings noted require remedial action.

3. Detailed Audit Findings

3.1. Overview

The following outlines our specific procedures, testing and observations against each obligation. The rating of each obligation has been applied in accordance with *Section 2.2*. Management response to the observations and recommendations are in *Section 5*. *Section 4* outlines our approach and procedures.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
1	Legal separation	3.1 (a)	A DNSP must be a legal entity.	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Compliance Reporting). Personal Information Senior Legal Counsel). Personal Information (Compliance Reporting Manager Strategy and Regulation). <p>Key Control:</p> <ul style="list-style-type: none"> Ausgrid Registered Australian Company Number (ACN). <p>Information Obtained:</p> <ul style="list-style-type: none"> A copy of the Distributors license issued under the Electricity Supply Act 1995 (NSW). Ausgrid ACN ASIC Information. <p>Test Performed:</p> <ul style="list-style-type: none"> We performed an ASIC search on Ausgrid using the ACN contained in the distributor's license to establish it is a separate legal entity. We assessed all current website material to establish it reflected the ACN. 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid is a separate legal entity. 	No Exception
2	Legal separation	3.1 (b)	A DNSP may provide distribution services and transmission services, but must not provide other services.	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information Project Manager Compliance Reporting). Personal Information (Head of Infrastructure Services). Personal Information (Head of Design Management). Personal Information (Manager of Network Innovation and Strategy). Personal Information (Manager Contestable Connections). Personal Information (Manager Strategic Procurement). Personal Information (Manager Procurement Strategy and Operations). Personal Information (Council and Community Engagement Manager). 	<p>While we note 3 breaches of this obligation were reported to the AER by Ausgrid during the audit period, and based on the control testing performed we have not identified any additional matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid only provide direct control services. Ausgrid has appropriate preventative controls in place to ensure all procurement arrangements entered into are managed in accordance with the Guideline. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<ul style="list-style-type: none"> • Personal Information (Process Lead Transformation). • Personal Information (Manager Metering Commercial Strategy and Support). <p>Key Control:</p> <ul style="list-style-type: none"> • Service agreements for the provision of Corporate Services, Labour Services, Electrical and Fibre and Testing between Ausgrid and its affiliate. • Customer Feedback Register. <p>Information Obtained:</p> <ul style="list-style-type: none"> • Legally approved procurement templates (contracts) executed by Ausgrid within the audit period. • Corporate Services Agreement. • Labour Services Agreement. • Electrical and Fibre Services Agreement • Testing Services Agreement. • Customer facing Card for field staff. • Ausgrid Information Sheet for Ring-Fencing communications. • Customer Feedback Register. • Quality Assurance Program. • Contact Centre Quality Report July 2018. <p>Test Performed:</p> <ul style="list-style-type: none"> • We obtained a sample of 31 feedback cases received within the audit period and performed the following: <ul style="list-style-type: none"> • Randomly selected 15 feedback cases from the sample; • Validated all 15 feedback cases were received on the basis Ausgrid has not provided contestable services to customers (and it is on this basis the customer has provided feedback and expressed frustration). • We sampled the customer facing card which expressly states Ausgrid are unable to make any recommendations or referrals for electrical contractors (where one may be required). • We validated Ausgrid has engaged its affiliate under service agreements (negotiated at arm's length) to provide contestable services. • We sampled a quality assurance management report to ensure Ausgrid were not in breach of the obligation 3.1(b). 	<ul style="list-style-type: none"> • Ausgrid no longer offer the services linked to the breaches reported to the AER during the audit period. 	

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
3	Separate accounts	3.2.1 (a)	<p>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>	<p>Discussions held with:</p> <ul style="list-style-type: none"> • Personal Information (Head of Tax and Reporting). • Personal Information (Senior Financial Accountant). • Personal Information (Financial Accountant). • Personal Information (Finance Manager Corporate Finance). <p>Key Control:</p> <ul style="list-style-type: none"> • The service agreements for the provision of Corporate Services, Labour Services, Electrical and Fibre and Testing services between Ausgrid and the affiliate. • The Cost Allocation Methodology (CAM) as approved by the AER. • SAP Ausgrid accounting system, which contains separate legal entities for recording transactions between Ausgrid and the affiliate. • Monthly journal transfer and reconciliation process between Ausgrid and the affiliate. <p>Information Obtained:</p> <ul style="list-style-type: none"> • The service agreements for the provision of Corporate Services, Labour Services, Electrical and Fibre and Testing services between Ausgrid and the affiliate. • The Cost Allocation Methodology (CAM) as approved by the AER. • The SAP Ausgrid accounting system, which contains separate legal entities for recording transactions between Ausgrid and the affiliate. <p>Test Performed:</p> <ul style="list-style-type: none"> • We reviewed the Corporate Services Agreement between Ausgrid and the affiliate to validate that it addresses the services Ausgrid will provide the affiliate together with the application and treatment of charges to the affiliate. • We obtained a sample of invoices for services provided by Ausgrid to the affiliate under the Corporate Service agreement during the audit period and performed the following: <ul style="list-style-type: none"> • Randomly selected 2 invoices issued by Ausgrid to the affiliate from the sample; • Validated that that relevant services (as outlined in the corporate services agreement) were invoiced from Ausgrid to the affiliate. 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> • Ausgrid has processes in place to establish and maintain appropriate internal accounting procedures to ensure it can demonstrate the extent and nature of transactions between Ausgrid and the affiliated entities and these transactions are consistent with the CAM. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<ul style="list-style-type: none"> We reviewed the June 2018 internal transfer journal of costs from Ausgrid to the affiliate and validated costs have been transferred to, and paid by, the affiliate in line with the Guideline. We reviewed the CAM to establish it addresses the allocation of costs against Ausgrid and the affiliate respectively. We assessed the risks, issues and near misses identified during the audit period to confirm there were no compliance issues against the Guideline Obligation. 		
4	Cost allocation and attribution	3.2.2 (a), (b)	<p>A DNSP must allocate or attribute costs to distribution services:</p> <ul style="list-style-type: none"> - 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. - and must not allocate or attribute other costs to the distribution services it provides. 	<p>Discussions held with:</p> <ul style="list-style-type: none"> † Personal Information (Head of Tax and Reporting). • Personal Information (Senior Financial Accountant). • Personal Information (Financial Accountant). • Personal Information (Finance Manager Corporate Finance). <p>Key Control:</p> <ul style="list-style-type: none"> • The service agreements for the provision of Corporate Services, Labour Services, Electrical and Fibre and Testing services between Ausgrid and the affiliate. • The Cost Allocation Methodology (CAM) as approved by the AER. • The SAP Ausgrid accounting system, which contains separate legal entities for recording transactions between Ausgrid and the affiliate. • Monthly journal transfer and reconciliation process between Ausgrid and the affiliate. <p>Information Obtained:</p> <ul style="list-style-type: none"> • The service agreements for the provision of Corporate Services, Labour Services, Electrical and Fibre and Testing services between Ausgrid and the affiliate. • The Cost Allocation Methodology (CAM) as approved by the AER. • The SAP Ausgrid accounting system, which contains separate legal entities for recording transactions between Ausgrid and the affiliate. <p>Test Performed:</p> <ul style="list-style-type: none"> • We reviewed the Corporate Services Agreement between Ausgrid and the affiliate to validate that 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> • Ausgrid has processes in place to establish and maintain appropriate internal accounting procedures to ensure it can demonstrate the extent and nature of transactions between Ausgrid and the affiliated entities and these transactions are consistent with the CAM. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<p>it addresses the services Ausgrid will provide the affiliate together with the application and treatment of charges to the affiliate.</p> <ul style="list-style-type: none"> We obtained a sample of invoices for services provided by Ausgrid to the affiliate under the Corporate Service agreement during the audit period and performed the following: <ul style="list-style-type: none"> Randomly selected 2 invoices issued by Ausgrid to the affiliate from the sample; Validated that that relevant services (as outlined in the corporate services agreement) were invoiced from Ausgrid to the affiliate. We reviewed the June 2018 internal transfer journal of costs from Ausgrid to the affiliate and validated costs have been transferred to, and paid by, the affiliate in line with the Guideline. We reviewed the CAM to establish it addresses the allocation of costs against Ausgrid and the affiliate respectively. <p>We assessed the risks, issues and near misses identified during the audit period to confirm there were no compliance issues against the Guideline Obligation.</p>		
5	Cost allocation and attribution	3.2.2 (c)	A DNSP must establish, maintain and keep records that demonstrate how it meets cost allocation and attribution obligations.	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Head of Tax and Reporting). Personal Information (Senior Financial Accountant). Personal Information (Financial Accountant). Personal Information (Finance Manager Corporate Finance). <p>Key Control:</p> <ul style="list-style-type: none"> The service agreements for the provision of Corporate Services, Labour Services, Electrical and Fibre and Testing services between Ausgrid and the affiliate. The Cost Allocation Methodology (CAM) as approved by the AER. The SAP Ausgrid accounting system, which contains separate legal entities for recording transactions between Ausgrid and the affiliate. Monthly journal transfer and reconciliation process between Ausgrid and the affiliate. <p>Information Obtained:</p>	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid has processes in place to establish and maintain appropriate internal accounting procedures to ensure it can demonstrate the extent and nature of transactions between Ausgrid and the affiliated entities and these transactions are consistent with the CAM. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<ul style="list-style-type: none"> The service agreements for the provision of Corporate Services, Labour Services, Electrical and Fibre and Testing services between Ausgrid and the affiliate. The Cost Allocation Methodology (CAM) as approved by the AER. The SAP Ausgrid accounting system, which contains separate legal entities for recording transactions between Ausgrid and the affiliate. <p>Test Performed:</p> <ul style="list-style-type: none"> We reviewed the Corporate Services Agreement between Ausgrid and the affiliate to validate that it addresses the services Ausgrid will provide the affiliate together with the application and treatment of charges to the affiliate. We obtained a sample of invoices for services provided by Ausgrid to the affiliate under the Corporate Service agreement during the audit period and performed the following: <ul style="list-style-type: none"> Randomly selected 2 invoices issued by Ausgrid to the affiliate from the sample; Validated that that relevant services (as outlined in the corporate services agreement) were invoiced from Ausgrid to the affiliate. We reviewed the June 2018 internal transfer journal of costs from Ausgrid to the affiliate and validated costs have been transferred to, and paid by, the affiliate in line with the Guideline. We reviewed the CAM to establish it addresses the allocation of costs against Ausgrid and the affiliate respectively. We assessed the risks, issues and near misses identified during the audit period to confirm there were no compliance issues against the Guideline Obligation. 		
6	Obligation not to discriminate	4.1(b)	A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Compliance Reporting). Personal Information (Head of Infrastructure Services). Personal Information (Head of Design Management). Personal Information (Manager of Network Innovation and Strategy). Personal Information (Manager Contestable Connections). 	<p>We have identified matters of improvement, as follows:</p> <ul style="list-style-type: none"> The Ring-Fencing training program has been complete by 95% of staff engaged by Ausgrid but only 90% of staff engaged by the affiliate. We recommend management ensure the training is completed by those who have not yet completed the training program with a 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
			<p>in connection with the provision of:</p> <p>i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or</p> <p>ii. contestable electricity services by any other legal entity.</p>	<ul style="list-style-type: none"> • Personal Information (Process Lead Transformation). • Personal Information (Manager Metering Commercial Strategy and Support). <p>Key Control:</p> <ul style="list-style-type: none"> • A copy of the service agreements for the provision of Corporate Services, Labour Services, Electrical and Fibre and Testing services between Ausgrid and the affiliate. • Ring-Fencing training program and materials. • Ausgrid’s encouraging competition through Ring-Fencing Policy. <p>Information Obtained:</p> <ul style="list-style-type: none"> • The Ring-Fencing training program and materials. • The Ring-Fencing training completion register. • Ausgrid Ring-Fencing obligation business attestation. • Ausgrid contact centre scripting ‘lotus notes’ samples. • Ausgrid’s encouraging competition through Ring-Fencing Policy. • Customer feedback register. <p>Test Performed:</p> <ul style="list-style-type: none"> • We reviewed training materials to confirm they outline the obligation for a DNSP not to discriminate between a related electricity service provider and a competitor. • We reviewed the Ring-Fencing training register to determine whether required employees have completed the Ring-Fencing training. • We validated Ausgrid has a Ring-Fencing policy in place together with a clear outline of what an Ausgrid employee can and cannot do when dealing with the affiliate. • We sampled the customer facing card which expressly states Ausgrid are unable to make any recommendations or referrals for electrical contractors (where one may be required). • We obtained Ausgrid contact centre agent scripting used during the audit period and performed the following: <ul style="list-style-type: none"> • Randomly selected 2 scripts used by contact centre employees when customers request contestable services and consequently 	<p>particular emphasis on employees engaged by the affiliate.</p>	

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<p>require an accredited service provider, from the sample;</p> <ul style="list-style-type: none"> • Determined the script samples are explicit where it is not a fault with Ausgrid network equipment, Ausgrid cannot make further diagnosis or repair and a customer must engage their own contractor. • We obtained a sample of 31 feedback cases received within the audit period and performed the following: <ul style="list-style-type: none"> • Randomly selected 15 feedback cases from the sample; • Identified all 15 feedback cases were received because Ausgrid has not provided contestable services to customers (and on this basis, the customer has provided feedback and expressed frustration). 		
7	Offices, staff, branding and promotions	4.2.1(a)	A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	<p>Discussions held with:</p> <ul style="list-style-type: none"> ↑ Personal Information (Security Operations Administration). <p>Key Control</p> <ul style="list-style-type: none"> • Separate physical workspaces for staff including restricted work locations through electronic access controls. • Ausgrid has provided the affiliate with its own branch of keying systems to separate it from the rest of Ausgrid. • Staff identification cards have been developed to differentiate between Ausgrid employees and affiliate employees. • A procedure exists for all new employees to ensure staff are only provided access to locations relevant for their role and entity. <p>Information Obtained:</p> <ul style="list-style-type: none"> • Ausgrid Ring-Fencing obligation business attestation. • Ausgrid accommodation plan. • Ring-Fencing – Office Register. • Ring-Fencing – Staff Register. <p>Test Performed:</p> <ul style="list-style-type: none"> • We sighted Ausgrid’s accommodation plan, which demonstrates the affiliate staff are not co-located with Ausgrid Staff (other than shared amenities). 	<p>Ausgrid made a decision to use offices that are separate from its affiliate (with the exception of Ausgrid’s Dee Why depot) and developed an accommodation plan to ensure that PLUS ES staff were not co-located with Ausgrid staff. Once completed, new PLUS ES profiles were created in the security system and PLUS ES branded access cards were issued to all PLUS ES staff with access limited to PLUS ES offices and depots only.</p> <p>Although new PLUS ES access cards were created, management did not remove the Ausgrid access cards from PLUS ES employees during the audit period. We found that Ausgrid staff who transferred over to PLUS ES retained electronic security access to both Ausgrid and affiliate office locations.</p> <p>Whilst communication and training has been provided to employees to manage adherence to the Ring-Fencing Guideline, an opportunity exists for affiliate staff to use their Ausgrid electronic access cards to obtain access to quarantined areas and hence potentially sensitive information.</p>	Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<ul style="list-style-type: none"> We obtained a sample of access records of 5 employees who should only be accessing the affiliates location and performed the following: <ul style="list-style-type: none"> Randomly selected 2 employees from the sample; Validated the locations accessed based on the electronic access logs for the months of April and June of both the affiliate and Ausgrid access cards; Sought confirmation from management where Ausgrid assets were accessed and whether they were accessed in line with the established protocols for staff sharing; and We found 1 employee has not accessed any Ausgrid assets, and 1 employee has on 4 separate occasions. On 2 occasions the reason was for a private purpose and on 2 occasions are unable to be confirmed. These occasions were not approved. 	<p>Our testing found that Ausgrid do not monitor whether affiliate employees have accessed Ausgrid locations.</p> <p>Without adequate monitoring, there is a risk that staff can access locations that contain confidential information without adequate consideration of Ring-Fencing compliance.</p>	
8	Staff sharing	4.2.2(a)	<p>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>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Contestable Connections Manager). Personal Information (Manager Marketing). Personal Information (Head of Design Management). Personal Information (Communications Lead). Personal Information (Internal Digital Content Producer). Personal Information (Process Lead Transformation). Personal Information (Manager Metering Commercial Strategy and Support). <p>Key Control:</p> <ul style="list-style-type: none"> Ring-Fencing communications plan in place pre and post the audit period, which outlines specific internal and external communication related to Ring-Fencing. <p>Information Obtained:</p> <ul style="list-style-type: none"> Ausgrid’s Guidelines for contestable work. Ausgrid’s Ring-Fencing training program and materials. Ausgrid’s encouraging competition through Ring-Fencing Policy. Ausgrid’s Performance and Recognition Guideline. Ring-Fencing – Staff Register. <p>Tests Performed:</p>	<p>Ausgrid provide employees to PLUS ES under a labour services agreement. At times, additional resources are required by PLUS ES to manage peak workloads at short notice. This temporary resourcing uplift is managed through short-term secondments.</p> <p>Through discussion with PLUS ES personnel we identified that during the audit period there were instances of short term secondments for up to 1-2 weeks at a time (Ausgrid personnel seconded to PLUS ES) that did not follow a formalised process.</p> <p>Without an adequate short-term secondment process, there is a risk that staff who are transferred or seconded to PLUS ES retain access to IT applications or material that contains confidential information without adequate consideration of Ring-Fencing compliance.</p>	Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<ul style="list-style-type: none"> We reviewed the internal Ring-Fencing communications plan, which outlines planned change activities and the strategic objective of each activity implemented. This document summarises relevant communication for all internal stakeholders over the audit period. We validated no staff were seconded between Ausgrid and the affiliate during the testing period. We validated a staff sharing register does exist and is available on Ausgrid's website (noting no staff were seconded during the testing period). We assessed the risks, issues and near misses identified during the Audit Period to confirm there were no compliance issues against the Guideline Obligation. 		
9	Branding and cross-promotion	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>ii. must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement or cross-promotion.</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Contestable Connections Manager Customer). Personal Information (Manager Marketing). Personal Information (Head of Design Management). Personal Information (Communications Lead). Personal Information (Internal Digital Content Producer). Personal Information (Logistics and Fleet). Personal Information (Process Lead Transformation). Personal Information (Manager Metering Commercial Strategy and Support). <p>Key Control:</p> <ul style="list-style-type: none"> Ausgrid's Brand Guidelines. The affiliate Brand Guidelines. Ausgrid's Guidelines for Contestable work. Ausgrid's Ring-Fencing training program and materials. Ausgrid's Encouraging competition through Ring-Fencing Policy. <p>Information Obtained:</p> <ul style="list-style-type: none"> Ausgrid's Brand Guidelines. Ausgrid's Guidelines for Contestable work. Ausgrid's Encouraging competition through Ring-Fencing Policy. The affiliate Brand Guidelines. Customer feedback register. <p>Tests Performed:</p>	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid has included guidance on branding requirements as part of its Ring-Fencing policy to address the requirement of separate branding. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
			ii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.	<ul style="list-style-type: none"> We reviewed training material to confirm they outline the branding requirements as per the Guideline. We sampled the customer facing card which expressly states Ausgrid are unable to make any recommendations or referrals for electrical contractors (where one may be required) and is branded Ausgrid. We reviewed Ausgrid's website to determine there are no contestable electricity services being promoted or referenced on the website. We assessed the risks, issues and near misses identified during the audit period to confirm there were no compliance issues against the Guideline obligation. 		
10	Office and staff registers	4.2.4 (a), (b)	A DNSP must establish, maintain and keep a register that identifies: (a) the classes of offices to which it has not applied; and (b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff and must make the register publicly available on its website.	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Strategy and Regulation). Personal Information (Compliance Reporting Manager Strategy and Regulation). <p>Key Control:</p> <ul style="list-style-type: none"> Staff and Office Register published on Ausgrid's website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx <p>Information Obtained:</p> <ul style="list-style-type: none"> Ring-Fencing – Office Register. Ring-Fencing – Staff Register. <p>Tests Performed:</p> <ul style="list-style-type: none"> We assessed the Staff and Office Registers to ensure information disclosure is accurate and reflects staff and office sharing. We assessed the risks, issues and near misses identified during the audit period to confirm that there were no compliance issues against the Guideline obligation. 	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> Ausgrid has established and maintained an office sharing register. Ausgrid has established and maintained a staff sharing register. 	No Exception
11	Protection of confidential information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential information confidential (b) only use confidential information for the	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Strategy and Regulation). Personal Information (Compliance Reporting Manager Strategy and Regulation). Personal Information (Market Systems Manager). Personal Information (ICT Compliance Manager). 	During the transitional period, Ausgrid completed an extensive review of its intranet, website and IT systems resulting in recommendations to the Steering Committee on how to resolve the identified risks.	Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
			<p>purpose for which it was acquired or generated</p>	<p>Key Control:</p> <ul style="list-style-type: none"> Ring-Fencing Compliance Information and System Access Policy. Ausgrid Information Sharing Protocol located on: https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx <p>Information Obtained:</p> <ul style="list-style-type: none"> Ausgrid Ring-Fencing obligation business attestation. Ausgrid's Information Security Policy. Ausgrid's Acceptable use of Technology Policy. Ausgrid's Application Management Policy. Ausgrid's Code of Conduct. Ausgrid's Privacy (Personal Information) Policy. Ausgrid Information Sharing Protocol located on: https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx 171217 Signed Minutes Ring Fencing Steering Committee. 171218 Signed Ring Fencing Compliance Information and System Access. <p>Tests Performed:</p> <ul style="list-style-type: none"> We reviewed the Information Sharing Protocol and validated it is designed to meet the requirements of the Guideline. This document outlines the requirements of Ausgrid in the disclosure of confidential information and the prerequisites required before sharing any information. The Information Sharing Protocol aligns to the Information Sharing Register. We validated Ausgrid has a Privacy Policy together with a Confidential Information Policy and all employees are required to complete online privacy training. We validated Ausgrid's intranet page is separated from the affiliate to allow only Ausgrid staff to view information specific to Ausgrid (a separate intranet has been created for the affiliate). We validated through management discussions instructions have been provided to affiliate employees not to access prohibited information. We assessed the risks, issues and near misses identified during the audit period to confirm there 	<p>A proposal was tabled at Ausgrid's Ring-Fencing Steering Committee for approval in December 2017 for access removal and this has not been approved, except for the segregation of intranet access. This means access to information systems has not been appropriately segregated and a number of systems exist where Ausgrid specific information may be accessible by employees of PLUS ES.</p> <p>PLUS ES staff have been instructed that they can only use Ausgrid IT systems that contain electricity information to perform services that enable and/or assist Ausgrid to supply DCS under the Service Agreements.</p> <p>No automated systems or manual monitoring is undertaken to determine how often PLUS ES employees are accessing Ausgrid systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information without adequate consideration of Ring-Fencing compliance.</p>	

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<p>were no compliance issues against the Guideline obligation.</p>		
12	Disclosure of information	4.3.3 (a)-(g)	<p>A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless:</p> <p>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the disclosure is required by, or for the purpose of complying with any law;</p> <p>(c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services,</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> • [Personal Information] (Project Manager Strategy and Regulation). • [Personal Information] (Compliance Reporting Manager Strategy and Regulation). • [Personal Information] (Market Systems Manager). • [Personal Information] (ICT Compliance Manager). <p>Key Control:</p> <ul style="list-style-type: none"> • Ring-Fencing Compliance Information and System Access Policy. • Ausgrid Information Sharing Protocol located on: https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx <p>Information Obtained:</p> <ul style="list-style-type: none"> • Ausgrid Ring-Fencing obligation business attestation. • Ausgrid's Information Security Policy. • Ausgrid's Acceptable use of Technology Policy. • Ausgrid's Application Management Policy. • Ausgrid's Code of Conduct. • Ausgrid's Privacy (Personal Information) Policy. • Ausgrid Information Sharing Protocol located on: https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx • 171217 Signed Minutes Ring Fencing Steering Committee. • 171218 Signed Ring Fencing Compliance Information and System Access <p>Tests Performed:</p> <ul style="list-style-type: none"> • We reviewed the Information Sharing Protocol and validated it is designed to meet the requirements of the Guideline. This document outlines the requirements of Ausgrid in the disclosure of confidential information and the prerequisites required before sharing any information. The Information Sharing Protocol aligns to the Information Sharing Register. 	<p>During the transitional period, Ausgrid completed an extensive review of its intranet, website and IT systems resulting in recommendations to the Steering Committee on how to resolve the identified risks.</p> <p>A proposal was tabled at Ausgrid's Ring-Fencing Steering Committee for approval in December 2017 for access removal and this has not been approved, except for the segregation of intranet access. This means access to information systems has not been appropriately segregated and a number of systems exist where Ausgrid specific information may be accessible by employees of PLUS ES.</p> <p>PLUS ES staff have been instructed that they can only use Ausgrid IT systems that contain electricity information to perform services that enable and/or assist Ausgrid to supply DCS under the Service Agreements.</p> <p>No automated systems or manual monitoring is undertaken to determine how often PLUS ES employees are accessing Ausgrid systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information without adequate consideration of Ring-Fencing compliance.</p>	Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
			<p>contestable electricity services or other services to the customer or potential customer;</p> <p>(e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other 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 of the DNSP</p> <p>(g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>	<ul style="list-style-type: none"> We validated Ausgrid has a Privacy Policy together with a Confidential Information Policy and all employees are required to complete online privacy training. We validated Ausgrid's intranet page is separated from the affiliate to allow only Ausgrid staff to view information specific to Ausgrid (a separate intranet has been created for the affiliate). We validated through management discussions instructions have been provided to affiliate employees not to access prohibited information. We assessed the risks, issues and near misses identified during the audit period to confirm there were no compliance issues against the Guideline obligation. 		
13	Information register	4.3.5 (a) - (c)	<p>(a) A DNSP must establish, maintain and keep a register of all:</p> <p>i. related electricity service providers;</p> <p>ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP;</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Strategy and Regulation). Personal Information (Compliance Reporting Manager Strategy and Regulation). <p>Key Control:</p> <ul style="list-style-type: none"> Information Register published on Ausgrid's website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid has established and maintained an Information Register. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
			<p>who request access to information identified in clause 4.3.4(a), and must make the register publicly available on its website.</p> <p>(b) For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.4(a), the DNSP's information register must:</p> <p>i. identify the kind of information requested by the legal entity; and</p> <p>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.</p> <p>(c) 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 4.3.4(a), and the DNSP must comply with that request.</p>	<p>Information Obtained:</p> <ul style="list-style-type: none"> • Ring-Fencing – Information Register. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We assessed the Information Register to ensure information disclosure is accurate and reflects information sharing. • We assessed the risks, issues and near misses identified during the audit period to confirm that there were no compliance issues against the Guideline obligation. 		

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
14	Conduct of service providers	4.4.1 (a)	<p>A DNSP: (a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with:</p> <p>i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and</p> <p>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP.</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> • [Personal Information] (Project Manager Compliance Reporting). • [Personal Information] (Head of Infrastructure Services). • [Personal Information] (Head of Design Management). • [Personal Information] (Manager of Network Innovation and Strategy). • [Personal Information] (Manager Contestable Connections). • [Personal Information] (Manager Strategic Procurement). • [Personal Information] (Manager Procurement Strategy and Operations). • [Personal Information] (Council and Community Engagement Manager). • [Personal Information] (Process Lead Transformation). • [Personal Information] (Manager Metering Commercial Strategy and Support). <p>Key Control:</p> <ul style="list-style-type: none"> • Ausgrid legally approved procurement templates (as updated to include Ring-Fencing provisions) from 1 January 2019. <p>Information Obtained:</p> <ul style="list-style-type: none"> • Legally approved procurement templates (contracts) with emphasis to legally approved template 1 executed by Ausgrid within the audit period. <p>Test Performed:</p> <ul style="list-style-type: none"> • We obtained a sample of 10 legally approved procurement templates executed within the audit period and performed the following: <ul style="list-style-type: none"> • Randomly selected 2 different legally approved procurement templates and; • Validated that the Ring-Fencing provisions, including but not limited to, the obligation not to discriminate, in addition to the clauses required under this obligation have been included on the Contracting Templates used by the Procurement Team and added to Ausgrid's terms and conditions. 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> • Ausgrid have amended their procurement templates to include the necessary clauses so that service providers can comply with the Guideline. These procurement templates, together with the terms and conditions have been updated on the Ausgrid website. Each procurement template references these terms which require service providers to adhere to the Ring-Fencing guideline obligations. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
15	Conduct of service providers	4.4.1 (b)	<p>A DNSP: (b) 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.</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> • Personal Information (Project Manager Compliance Reporting). • Personal Information (Head of Infrastructure Services). • Personal Information (Head of Design Management). • Personal Information (Manager of Network Innovation and Strategy). • Personal Information (Manager Contestable Connections). • Personal Information (Manager Strategic Procurement). • Personal Information (Manager Procurement Strategy and Operations). • Personal Information (Council and Community Engagement Manager). <p>Key Control:</p> <ul style="list-style-type: none"> • Legally approved procurement templates (contracts) with emphasis to legally approved template 1 executed by Ausgrid within the audit period. • Statement of Business Ethics (pre June 2018) and the External Partner Code of Conduct (post June 2018). <p>Information Obtained:</p> <ul style="list-style-type: none"> • Statement of Business Ethics (pre June 2018) and the External Partner Code of Conduct (post June 2018) • Legally approved procurement templates (contracts) with emphasis to legally approved template 1 executed by Ausgrid within the audit period. • FY18 June scorecard. Ausgrid sets a scorecard of key metrics against which we report each month. The scorecard contains key metrics for the financial year to measure Ausgrid's performance to its strategic priorities. <p>Test Performed:</p> <ul style="list-style-type: none"> • We sighted the Statement of Business Ethics to determine it addresses the requirement for service providers not to engage in conduct contrary to the Guideline. 	<p>We have identified matters of improvement, as follows:</p> <ul style="list-style-type: none"> • Ausgrid have a Statement of Business Ethics which requires service providers not to engage in any conduct contrary to the principles of the Guideline. Ausgrid procurement templates include an obligation on service providers to adhere to the Statement of Business Ethics but during the audit period no monitoring of compliance to the statement of business ethics took place. In line with the External Partner Code of Conduct, which has replaced the statement of business ethics as of June 2018, we recommend management implement the monitoring framework outlined in the section 'implementation of the code' and proactively monitor the practices of service providers to ensure they are complying with these standards. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<ul style="list-style-type: none"> We obtained a sample of 10 legally approved procurement templates executed within the audit period and performed the following: <ul style="list-style-type: none"> Randomly selected 2 legally approved procurement templates from the sample and; Validated that procurement templates executed during the audit period contained obligations for service providers to adhere to the statement of business ethics; We obtained a copy of the FY18 June scorecard to assess whether Ausgrid incentivised a service provider to engage in conduct contrary to the DNSPs obligations. 		
16	The AER will not grant a waiver of an obligation under this Guideline other than in accordance with this clause 5	5.2 (a) - (h)	<p>A DNSP may apply in writing to the AER for a waiver. An application for a waiver must contain all information and materials necessary to support the DNSP's application, including:</p> <p>(a) the obligation in respect of which the DNSP is applying for a waiver;</p> <p>(b) the reasons why the DNSP is applying for the waiver;</p> <p>(c) details of the service, or services, in relation to which the DNSP is applying for the waiver;</p> <p>(d) the proposed commencement date and expiry date (if any) of the waiver and the reasons for those dates;</p> <p>(e) details of the costs associated with the DNSP complying with the obligation if the</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Strategy and Regulation). Personal Information (Compliance Reporting Manager Strategy and Regulation). <p>Key Control:</p> <ul style="list-style-type: none"> Waiver Register published by the AER and linked on Ausgrid's website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx <p>Information Obtained:</p> <ul style="list-style-type: none"> Ring-Fencing – Waiver Register. <p>Tests Performed:</p> <ul style="list-style-type: none"> We assessed the Waiver Register to ensure it includes the relevant details required by the Guideline. We reviewed the final decision by the AER to confirm these waivers are included in that decision. 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid has in place a process to establish and maintain a waiver register. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
			<p>waiver of the obligation were refused;</p> <p>(f) the regulatory control period(s) to which the waiver would apply;</p> <p>(g) any additional measures the DNSP proposes to undertake if the waiver were granted;</p> <p>and</p> <p>(h) the reasons why the DNSP considers the waiver should be granted with reference to the matters specified in clause 5.3.2(a), including the benefits, or likely benefits, of the grant of the waiver to electricity consumers.</p>			
17	Waiver register	5.7 (a)	<p>A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) and must make the register publicly available on its website.</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Strategy and Regulation). Personal Information (Compliance Reporting Manager Strategy and Regulation). <p>Key Control:</p> <ul style="list-style-type: none"> Waiver Register published by the AER and linked on Ausgrid’s website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx <p>Information Obtained:</p> <ul style="list-style-type: none"> Ring-Fencing – Waiver Register. <p>Tests Performed:</p> <ul style="list-style-type: none"> We assessed the Waiver Register to ensure it includes the relevant details required by the Guideline. 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid has in place a process to establish and maintain a waiver register. <p>We have identified matters of improvement, as follows:</p> <ul style="list-style-type: none"> Ausgrid currently provide a link to Ausgrid’s Waiver July 2017 section of the AER website. The Guideline requires a DNSP to maintain and keep a register of all waivers. While the link to the AER’s website may constitute an information register, we recommend Ausgrid establish its own register that it directly maintains 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<ul style="list-style-type: none"> We reviewed the final decision by the AER to confirm these waivers are included in that decision. 	and ensures it is accessible on Ausgrid's website in accordance with the Guideline.	
18	Waiver register	5.7 (b)	<p>The register established under clause 5.7(a) must include:</p> <p>i. the description of the conduct to which the waiver or interim waiver applies; and</p> <p>ii. the terms and conditions of the waiver or interim waiver; as set out in the AER's written decision, provided by the AER to the DNSP, to grant (or vary) the waiver or interim waiver.</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Strategy and Regulation). Personal Information (Compliance Reporting Manager Strategy and Regulation). <p>Key Control:</p> <ul style="list-style-type: none"> Waiver Register published by the AER and linked on Ausgrid's website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx <p>Information Obtained:</p> <ul style="list-style-type: none"> Ring-Fencing – Waiver Register <p>Tests Performed:</p> <ul style="list-style-type: none"> We assessed the Waiver Register to ensure it includes the relevant details required by the Guideline. We reviewed the final decision by the AER to confirm these waivers are included in that decision. 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid has in place a process to establish and maintain a waiver register. <p>We have identified matters of improvement, as follows:</p> <ul style="list-style-type: none"> Ausgrid currently provide a link to the Ausgrid Waiver July 2017 section of the AER website. The Guideline requires a DNSP to maintain and keep a register of all waivers. While the link to the AER's website may constitute an information register, we recommend Ausgrid establish its own register that it directly maintains and ensures it is accessible on Ausgrid's website in accordance with the Guideline. 	No Exception
19	Maintaining compliance	6.1	<p>A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline.</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Strategy and Regulation). Personal Information (Compliance Reporting Manager Strategy and Regulation). Personal Information (Head of Governance Risk and Compliance). Personal Information (Compliance and Policy Manager). <p>Key Control:</p> <ul style="list-style-type: none"> Annual Ring-Fencing Compliance Report. <p>Information Obtained:</p> <ul style="list-style-type: none"> Ausgrid was granted a waiver by the AER in December 2017 to use the service classifications to apply for its 2019-24 regulatory period, from 1 January 2018 when the Ring-Fencing Guideline came fully into effect. 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid has regulatory compliance and reporting processes to establish compliance assurance. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<ul style="list-style-type: none"> Ausgrid has a dedicated Regulatory team who monitor and participate in AER consultations regarding service classifications during the Framework and Approach process. Ausgrid then implements the AER's decisions where changes to classifications result. Ausgrid's Ring-Fencing Compliance Reporting Manual. <p>Tests Performed:</p> <ul style="list-style-type: none"> We assessed Ausgrid's business processes for preventing and detecting exception or change against the requirements of the Ring-Fencing Guideline. We assessed compliance breaches reported during the Audit Period against discussions held and business risk and issues registers. We reviewed Ausgrid's Ring-Fencing compliance report. We assessed measures taken by Ausgrid to continually improve the suitability, adequacy and effectiveness of the compliance management program in place against the Guideline. 		
20	Annual compliance report	6.2.1 (a), (b) (c)	<p>A DNSP must prepare an annual ring--fencing compliance report each regulatory year.</p> <p>The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:</p> <p>i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline;</p> <p>ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP; and</p> <p>iii. all other services</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Strategy and Regulation). Personal Information (Compliance Reporting Manager Strategy and Regulation). <p>Key Control:</p> <ul style="list-style-type: none"> Annual Ring-Fencing Compliance Report. <p>Information Obtained:</p> <ul style="list-style-type: none"> Annual Ring-Fencing Draft Compliance Report. <p>Tests Performed:</p> <ul style="list-style-type: none"> We assessed the draft annual Ring-Fencing compliance report against the requirements under clause 6.2 and the requirements under the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual. Deloitte has been engaged as the independent authority to assess compliance in relation to the Guideline. 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid has regulatory compliance and reporting processes to establish compliance assurance. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
			<p>provided by the DNSP in accordance with clause 3.1; and</p> <p>iv. the purpose of all transactions between the DNSP and an affiliated entity.</p> <p>The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.</p>			
21	Compliance breaches	6.3	<p>A DNSP must notify the AER in writing within 5 (five) business days of becoming aware of a material breach of its obligations under this Guideline.</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Strategy and Regulation). Personal Information (Compliance Reporting Manager Strategy and Regulation). <p>Key Control:</p> <ul style="list-style-type: none"> Annual Ring-Fencing Compliance Report. Ausgrid Ring-Fencing Breach Register. <p>Information Obtained:</p> <ul style="list-style-type: none"> Ausgrid has built a Ring-Fencing compliance management system (CMS) modelled on similar existing in-house CMS systems, and established protocols for staff to report breaches of the Guideline. The requirement for reporting of breaches is communicated in its Ring-Fencing Policy and has been reinforced by various communications and training programs. Ausgrid has reported breaches during FY18 to the AER in accordance with the Guideline. The breaches reported in FY18 are listed in <i>Appendix B</i> of Ausgrid Ring-Fencing Guideline Annual Compliance Report 2018. <p>Tests Performed:</p> <ul style="list-style-type: none"> We assessed the draft annual Ring-Fencing compliance report. 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid has regulatory compliance and reporting processes to establish compliance assurance. 	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
				<ul style="list-style-type: none"> We assessed Ausgrid's Ring-Fencing Breach Register. 		
22	Transitional arrangements	7.1 (b)	<p>Where a distribution determination applicable to a DNSP results in a change in the classification of a distribution service provided by the DNSP, and that change puts the DNSP in breach of an obligation under this Guideline, the DNSP must comply with that obligation within 12 months of the commencement date of the distribution determination.</p>	<p>Discussions held with:</p> <ul style="list-style-type: none"> Personal Information (Project Manager Strategy and Regulation). Personal Information (Compliance Reporting Manager Strategy and Regulation). <p>Key Control:</p> <ul style="list-style-type: none"> Annual Ring-Fencing Compliance Report Ausgrid Ring-Fencing Breach Register. Ring-Fencing – Waiver Register. <p>Information Obtained:</p> <ul style="list-style-type: none"> Ausgrid was granted a waiver by the AER in December 2017 to use the service classifications to apply for its 2019-24 regulatory period, from 1 January 2018 when the Ring-Fencing Guideline came fully into effect. Ausgrid has a dedicated Regulatory team who monitor and participate in AER consultations regarding service classifications during the Framework and Approach process. Ausgrid then implements the AER's decisions where changes to classifications result. Ausgrid's Ring-Fencing Compliance Reporting Manual. <p>Tests Performed:</p> <ul style="list-style-type: none"> We assessed Ausgrid's business processes for preventing and detecting exception or change against the requirements of the Ring-Fencing Guideline. We assessed measures taken by Ausgrid to continually improve the suitability, adequacy and effectiveness of the compliance management program in place against the Guideline. 	<p>Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Ausgrid has regulatory compliance and reporting processes to establish compliance assurance. 	No Exception

4. Independent Assurance Report to Ausgrid

Qualified Opinion

We have undertaken a reasonable assurance engagement of Ausgrid's Ring-Fencing Annual Compliance Report (the "Compliance Report") to determine if it has been prepared, in all material respects, in accordance with Ring-Fencing Guideline for Electricity Distribution on 30 November 2016 under the National Electricity Rules (the "NER") including amendments made on 17 October 2017 (the "Guideline") as evaluated against the obligations under the Guideline (the "Obligations") for the period from 1 January 2018 to 30 June 2018.

In our opinion, except for the exceptions noted in Section 3 of this report relating to Offices, Staff, Branding and Promotions, Staff sharing, Protection of confidential information and Disclosure of information, Ausgrid has complied, in all material respects, with the Guideline as evaluated against the Obligations for the period from 1 January 2018 to 30 June 2018.

Basis for Qualified Opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* ("ASAE 3100") issued by the Auditing and Assurance Standards Board.

We have identified inadequate controls that manage obligations relating to Offices, Staff, Branding and Promotions, Staff sharing, Protection of confidential information and Disclosure of information, which have the potential for material noncompliance. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Ausgrid Responsibilities

Ausgrid management is responsible for:

- a. The compliance activity undertaken to meet the Guideline;
- b. Identifying risks that threaten the Guideline identified above being met;
- c. Identifying suitable compliance requirements in the Guideline as required by the Australian Energy Regulator (the "AER"); and
- d. Identifying, designing and implementing controls to enable the Guideline to be met and to monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on Ausgrid's compliance, in all material respects, with the Guideline as evaluated against the Obligations for the period from 1 January 2018 to 30 June 2018. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether Ausgrid has complied, in all material respects, with the Guideline as evaluated against the Obligations, for the period from 1 January 2018 to 30 June 2018.

An assurance engagement to report on Ausgrid's compliance with the Guideline involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the Guideline. The procedures selected depend on our judgement, including the identification and assessment of risks of material exception with the Guideline, as evaluated against the Obligations.

Our procedures included:

- Inquiring with Ausgrid personnel what preventative, detective and corrective controls are in place to allow Ausgrid 's to comply with the Obligations;
- Evaluating whether the control is appropriate with consideration given to the competence of the person performing the control, frequency of the control and whether the control allows Ausgrid 's to comply with the Obligations;

- Selecting a sample of instances where we would expect the control to be performed, observing the control being performed, and inspect associated documentation to evidence the effectiveness of the control throughout the period;
- Checking that registers are publicly available, accurate and complete by ensuring any staff, office or information sharing and waivers obtained have been appropriately included in the registers. Checking that any inclusions in the registers are factually correct by discussing with management and assessing associated documentation;
- Obtaining transaction listings and testing for appropriate segregation between distribution services and contestable services provided; and
- Inquiring with management whether they are compliant with the Obligations.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or exception with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the period from 1 January 2018 to 30 June 2018 does not provide assurance on whether compliance with the Guideline will continue in the future.

Restricted Use

This report has been prepared for use by Ausgrid for the purpose of meeting the reporting requirements of the AER. We disclaim any assumption of responsibility for any reliance on this report to any person other than Ausgrid, or for any purpose other than that for which it was prepared. However, we understand that a copy of the report has been requested by AER. We agree that a copy of the report may be provided to AER for their information in connection with this purpose but, as will be made clear in the report, only on the basis that we accept no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement.

It is our understanding that the AER may publish a copy of our report on their website. We accept no responsibility to any person or entity, apart from Ausgrid that is provided with, or obtains a copy of our report, without our written agreement. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than Ausgrid for our work, for this report, or for any reliance which may be placed on this report by any party other than Ausgrid.



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Matthew Fraser
Partner
Deloitte Risk Advisory Pty Ltd
Chartered Accountant
1 November 2018

5. Management Response

5.1. Overview

The following table provides management responses against each identified exception (managements responses are not within the scope of our assurance report).

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
7	Offices, staff, branding and promotions	4.2.1(a)	<p>A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.</p>	<p>Ausgrid made a decision to use offices that are separate from its affiliate (with the exception of Ausgrid's Dee Why depot) and developed an accommodation plan to ensure that PLUS ES staff were not co-located with Ausgrid staff. Once completed, new PLUS ES profiles were created in the security system and PLUS ES branded access cards were issued to all PLUS ES staff with access limited to PLUS ES offices and depots only.</p> <p>Although new PLUS ES access cards were created, management did not remove the Ausgrid access cards from PLUS ES employees during the audit period. We found that Ausgrid staff who transferred over to PLUS ES retained electronic security access to both Ausgrid and affiliate office locations.</p> <p>Whilst communication and training has been provided to employees to manage adherence to the Ring-Fencing Guideline, an opportunity exists for affiliate staff to use their Ausgrid electronic access cards to obtain access to quarantined areas and hence potentially sensitive information.</p> <p>Our testing found that Ausgrid do not monitor whether affiliate employees have accessed Ausgrid locations.</p> <p>Without adequate monitoring, there is a risk that staff can access locations that contain confidential information without adequate consideration of Ring-Fencing compliance.</p>	<ol style="list-style-type: none"> 1. Ausgrid does maintain separate offices from its affiliate, PLUS ES. 2. There are many reasons why a PLUS ES staff member will legitimately have access to Ausgrid sites, such as to provide services to Ausgrid pursuant to contractual arrangements between the parties. For example, PLUS ES provides direct control services on behalf of Ausgrid and building management services to some Ausgrid sites. 3. Since the end of the audit period further access restrictions have been activated to Ausgrid offices, including substations, which prevent access for all PLUS ES employees without approval. In that case monitoring becomes superfluous as inappropriate access is now blocked.

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
8	Staff sharing	4.2.2(a)	<p>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>Ausgrid provide employees to PLUS ES under a labour services agreement. At times, additional resources are required by PLUS ES to manage peak workloads at short notice. This temporary resourcing uplift is managed through short-term secondments.</p> <p>Through discussion with PLUS ES personnel we identified that during the audit period there were instances of short term secondments for up to 1-2 weeks at a time (Ausgrid personnel seconded to PLUS ES) that did not follow a formalised process.</p> <p>Without an adequate short-term secondment process, there is a risk that staff who are transferred or seconded to PLUS ES retain access to IT applications or material that contains confidential information without adequate consideration of Ring-Fencing compliance.</p>	<ol style="list-style-type: none"> 1. Prior to 1 January 2018, Ausgrid separated staff performing contestable electricity services from those performing direct control services. Ausgrid employees perform all contestable electricity services under the PLUS ES brand. 2. Only one six month secondment occurred during the audit period in accordance with Ausgrid's existing human resources process. That employee had completed ring-fencing training and was aware of our ring-fencing obligations. 3. Since the end of the audit period, Ausgrid has developed and put in place a process to manage the short term secondment of its staff to PLUS ES.
11	Protection of confidential information	4.3.2 (a) (b)	<p>A DNSP must: (a) keep confidential information confidential (b) only use confidential information for the purpose for which it was acquired or generated</p>	<p>During the transitional period, Ausgrid completed an extensive review of its intranet, website and IT systems resulting in recommendations to the Steering Committee on how to resolve the identified risks.</p> <p>A proposal was tabled at Ausgrid's Ring-Fencing Steering Committee for approval in December 2017 for access removal and this has not been approved, except for the segregation of intranet access. This means access to information systems has not been appropriately segregated and a number of systems exist where Ausgrid specific information may be accessible by employees of PLUS ES.</p> <p>PLUS ES staff have been instructed that they can only use Ausgrid IT systems that contain electricity information to perform services that enable and/or assist Ausgrid to supply DCS under the Service Agreements.</p> <p>No automated systems or manual monitoring is undertaken to determine how often PLUS ES employees are accessing Ausgrid systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information</p>	<ol style="list-style-type: none"> 1. Ausgrid keeps "confidential information" (which includes "electricity information" as contemplated by the Ring-Fencing Guideline) confidential and takes this obligation under the Ring Fencing Guideline seriously. 2. The obligation to keep confidential information confidential is "subject to clause 4.3". Importantly, clause 4.3.3(c) allows confidential information to be disclosed where it enables Ausgrid "to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities)". 3. The Steering Committee did endorse the Information and System Access paper, subject to further investigation on the practicality of implementing access controls for the wide range of software systems. However in this instance hard controls were not identified as the optimal solution. 4. In some instances, Ausgrid does provide PLUS ES with access to its systems to allow PLUS ES to provide services to Ausgrid pursuant to service agreements between the parties. Without this access, PLUS ES cannot provide those services to Ausgrid. 5. The challenge to implement "hard" controls consistently across all systems has been addressed by: <ol style="list-style-type: none"> a. inserting contractual obligations for PLUS ES to comply with the Ring Fencing Guideline;

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
				without adequate consideration of Ring-Fencing compliance.	<ul style="list-style-type: none"> b. explicit and thorough communications to Ausgrid and PLUS ES staff to reinforce appropriate behaviour required to comply with this particular provision of the Ring Fencing Guideline; and c. training and refresher training. <ol style="list-style-type: none"> 6. Whilst these may be viewed as “soft” controls, Ausgrid considers that the significant cost of developing hard controls for the large number of systems would not represent good value for its customers. 7. In addition Ausgrid and PLUS ES staff have completed training regarding their obligations under the Ring Fencing Guideline. 8. Ausgrid is committed to further investigating and implementing detective controls (where practicable), for example, regular reports on systems accessed by PLUS ES staff. 9. There is no evidence that confidential information has been accessed for anything other than a permitted purpose.
12	Disclosure of information	4.3.3 (a)-(g)	<p>A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless:</p> <p>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the disclosure is required by, or for the purpose of complying with any law;</p> <p>(c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities);</p>	<p>During the transitional period, Ausgrid completed an extensive review of its intranet, website and IT systems resulting in recommendations to the Steering Committee on how to resolve the identified risks.</p> <p>A proposal was tabled at Ausgrid’s Ring-Fencing Steering Committee for approval in December 2017 for access removal and this has not been approved, except for the segregation of intranet access. This means access to information systems has not been appropriately segregated and a number of systems exist where Ausgrid specific information may be accessible by employees of PLUS ES.</p> <p>PLUS ES staff have been instructed that they can only use Ausgrid IT systems that contain electricity information to perform services that enable and/or assist Ausgrid to supply DCS under the Service Agreements.</p> <p>No automated systems or manual monitoring is undertaken to determine how often PLUS ES employees are accessing Ausgrid systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information</p>	<ol style="list-style-type: none"> 1. Ausgrid does NOT disclose confidential information to the public. However, Ausgrid does provide PLUS ES, other ASPs and third parties working on the network with access to specific systems that contain confidential information in accordance with the exemption provided in clause 4.3.3(c) of the Ring Fencing Guideline. 2. Both Ausgrid and PLUS ES have contractual obligations to keep confidential information confidential in compliance with the Ring Fencing Guideline. We consider this control is sufficient to ensure PLUS ES understands and complies with its obligation under the Ring Fencing Guideline. 3. We do not provide any services where a commercial advantage can be conferred by access to such information.

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
			<p>(d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer;</p> <p>(e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other 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 of the DNSP</p> <p>(g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>	<p>without adequate consideration of Ring-Fencing compliance.</p>	