

Ring-fencing Annual Compliance Report

1 JULY 2020 – 31 DECEMBER 2021





Contents

STATEMENT OF COMPLIANCE	3
APPROACH TO EMBEDDING COMPLIANCE	6
<i>Compliance and Monitoring</i>	<i>7</i>
<i>Compliance Disclosures and Review</i>	<i>7</i>
MAINTAINING COMPLIANCE	11
<i>Maintaining Compliance</i>	<i>12</i>
<i>Inherent Risk Areas</i>	<i>17</i>
REVIEWING COMPLIANCE.....	20
<i>Cost Allocation.....</i>	<i>21</i>
<i>ICT Segregation.....</i>	<i>21</i>
<i>Branding.....</i>	<i>21</i>
<i>Ring-fenced Information</i>	<i>22</i>
BREACHES OF THE RING-FENCING GUIDELINE	26
OTHER COMPLIANCE MATTERS IDENTIFIED	35
<i>Process failure in interim remediation activities related to a previously reported breach</i>	<i>36</i>
<i>Breaches notified to the AER subsequent to 31 December 2021</i>	<i>37</i>
WAIVERS	40
OTHER SERVICES PROVIDED BY THE DNSP	42
TRANSACTION BETWEEN THE DNSP AND THE RESP.....	44
INDEPENDENT REVIEW AND ASSESSMENT	46



Statement of Compliance

Other than those material matters disclosed in Section 4 – Breaches of the Ring-fencing Guideline and Section 5 – Other Compliance Matters, Endeavour Energy confirms that it has complied with the Australian Energy Regulator’s (AER) Electricity Distribution Ring-fencing Guideline 2017 (Version 2) (the Guideline) for the reporting period 1 July 2020 to 31 December 2021.

Endeavour Energy’s compliance is positively supported across the Endeavour Energy Group as a framework for business enablement.

Compliance Philosophy

Endeavour Energy recognises the Electricity Distribution Ring-fencing Guideline as an enabler to the Endeavour Energy Group participating in unregulated markets. In the absence of the Guideline we would not be permitted to utilise our skills and experience to provide value-added products and services to customers in a fair and competitive manner. We also acknowledge that in the main the requirements of the Guideline reflect the behaviours and obligations that all service providers must comply with under the Competition and Consumer Act. These requirements have influenced how we have approached our compliance.

Endeavour Energy accepts and understands that it is our actions and conformance with the scope and the limitations of the policy intent and the Guideline that will ultimately determine the realised value to the consumers we serve.

Endeavour Energy continues to implement the requirements of the Guideline with an emphasis on a compliance philosophy over an enforcement philosophy, although both aspects are ultimately required. The importance of this delineation may not be obvious in the first instance; however, it is a critical underpinning of how Endeavour Energy has approached engaging with the requirements of the Guideline and embedding them within our business.

Endeavour Energy's approach has been to be open to learning from challenges and failures, to improve our processes, and to continually improve our capacity to achieve compliance in a range of circumstances. This is supported by a clear focus on the policy objectives of the Guideline rather than narrowly focusing on the individual clauses in isolation.

Endeavour Energy believes that this approach is critical for supporting an environment where staff feel able to seek clarification as required as well as enabling staff to raise matters where they are concerned that compliance may be at risk. Engaging openly with staff in a two-way conversation across the business seeks to utilise each staff member as part of our compliance defence and drive a compliant and customer-orientated culture.



Demonstrating Compliance

Clause 6.2.1(b) of the Guideline sets out those matters that Endeavour Energy is required to include in this report to demonstrate our compliance with the Guideline. Specifically, the compliance report must identify and describe, in respect of the period to which the report relates:

- i. the measures the Distribution Network Service Provider (**DNSP**) has taken to ensure compliance with its obligations under this Guideline;
- ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP;
- iii. all other services provided by the DNSP in accordance with clause 3.1; and
- iv. the purpose of all transactions between the DNSP and an affiliated entity.

In addition to the content of this report it must be accompanied by an assessment of compliance with each provision of the Guideline by a suitably qualified independent authority.

This report may be made public by the AER and has been prepared on the expectation that such disclosure will occur.

Endeavour Energy is required to submit this report and accompanying compliance assessment to the AER within four months of the end of the period to which it relates. Following recent amendment to the Guideline, this compliance report is due no later than 30 April 2022 and covers the 18 month reporting period from 1 July 2020 to 31 December 2021.

Requirement of this report

The preparation and publication of this report is designed to satisfy Endeavour Energy's regulatory and reporting obligations as prescribed by the Guideline. It is also our expectation that this report will contribute to public confidence that the policy objectives of supporting competitive markets and providing market clarity and a level playing field for all energy service providers is being satisfied. Endeavour Energy considers that transparency of compliance challenges that arise is an essential aspect of providing confidence to the market and provides accountability to resolve those issues.

The Guideline

Clause 6.17.1 of the National Electricity Rules (**NER**) requires that all DNSPs must comply with the Guideline published by the AER.

The AER published version 2 of the Ring-fencing Guideline, Electricity Distribution in October 2017, and as set out in the AER's Guideline, the objective is to:

- promote the National Electricity Objective by providing for the accounting and functional separation of the provision of direct control services by DNSPs from the provision of other services by them, or by their affiliated entities; and
- promote competition in the provision of electricity services.

The Guideline imposes obligations on DNSPs targeted at, among other things:

- cross-subsidisation, with provisions that aim to prevent a DNSP from providing other services that could be cross-subsidised by its distribution services; and
- discrimination, with provisions that aim to:
 - prevent a DNSP conferring a competitive advantage on its related electricity service providers that provide contestable electricity services; and
 - ensure a DNSP keeps information it acquires, or generates, confidential and handles that information appropriately.

Review of the Electricity Distribution Ring-fencing Guideline

During the reporting period, the AER finalised their review and published version 3 of the Electricity Distribution Ring-fencing Guideline in November 2021. DNSPs must fully comply with version 3 of the Guideline as soon as reasonably practicable but no later than the version 3 compliance date of 3 February 2022.

Endeavour Energy was an active participant during the consultation process and readily engaged with the AER, other DNSPs and Energy Networks Australia (**ENA**) as part of the review process. Endeavour Energy supports the implementation of a nationally consistent ring-fencing arrangement that enhances confidence in contestable markets by protecting against anti-competitive behaviour by regulated entities to promote the long-term interests of customers.

The required date for submitting the Annual Compliance Report changed under version 3 of the Guideline for Endeavour Energy. This Annual Compliance Report meets the requirements of clause 7.2(a) and 7.2(b) of version 3 of the Guideline, however, compliance has been reviewed and assessed against version 2 as per consultation with the AER at the pre-assessment meeting.

-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-

- **Section 1**
- **Approach to Embedding**
- **Compliance**

-
-
-
-
-
- **Approach to**
- **Embedding Compliance**

Compliance and Monitoring

A compliance and monitoring framework exists to ensure that each ring-fencing obligation and responsibility is understood and mapped to the responsible business function and accountable Executive Leadership Team member. The compliance and monitoring framework covers the following aspects:

- the ring-fencing obligation;
- a description of Endeavour Energy's compliance approach;
- a compliance risk rating;
- any implementation changes required;
- controls to monitor compliance; and
- ongoing reporting requirements.

This framework is supported by ring-fencing compliance being included in Endeavour Energy's business risk framework. These risks and actions to address the risks are managed separately through Endeavour Energy's Governance, Risk and Assurance function that reports on all business risks to the Board's Audit and Risk Committee. In addition, the Regulatory Committee of the Board is tasked with focused oversight of our compliance with regulatory obligations, including ring-fencing compliance.

In 2018-19, an icon was developed and implemented by Regulatory Assurance for internal communications to enhance awareness of ring-fencing. The purpose being when any internal communication was produced with this icon, staff would easily identify and associate it with ring-fencing. This continues to be successful in supporting Regulatory Assurance to develop clear, concise and engaging communications to staff that are easily recognisable as ring-fencing.

Regulatory Assurance has well established procedures in place to meet with stakeholders and monitor corrective actions identified as a result of a breach or audit findings. This ensures action plans are implemented and remediation is monitored to demonstrate compliance with Guideline.

Compliance Disclosures and Review

To support the compliance and monitoring framework several activities and processes have been established, including the monitoring of the ring-fencing email inbox and quarterly review of the compliance improvement register, to review any matters of concern raised by staff, management or external parties. Regulatory Assurance have oversight for ring-fencing compliance and undertake review and investigation where referred matters could indicate issues of concern or a potential breach of the Guideline.

Throughout the reporting period, Endeavour Energy has been proactive in self-reporting all breaches to the AER for consideration and materiality assessment.

The table below outlines Endeavour Energy's approach to compliance and how compliance has been and continues to be achieved since implementation of the Guideline.

-
-
-
-
-
- **Approach to**
- **Embedding Compliance**

Obligation	Approach to compliance	How we achieved compliance
Legal Separation	We only provide services associated with our role as a Distribution Network Service Provider when trading as Endeavour Energy.	<ul style="list-style-type: none"> ✓ We have a Related Electricity Service Provider (RESP) to provide non-distribution services. ✓ We have embedded compliance control assessments into our policies and procedures. ✓ We have standard terms/conditions/contracts with service providers for contracts for the provision of services to reflect ring-fencing obligations.
Account separation & cost allocation	<p>Accounts: We have established and maintain procedures that demonstrate the nature and extent of transactions with the RESP.</p> <p>Costs: We will not allocate or attribute costs to Distribution Services that relate to other services.</p> <p>Use of Assets: We have established and maintained procedures that attribute costs to the RESP for the use of assets, such as fleet and plant.</p>	<ul style="list-style-type: none"> ✓ We had in place two systems that enabled separate accounting processes and data to be maintained between Endeavour Energy and the RESP. ✓ In October 2021, we implemented a new financial management system that continues to allow for separate accounting processes and data. ✓ The RESP is invoiced on a monthly basis for all applicable transactions. ✓ We have a Business Support Agreement in place between Endeavour Energy and the RESP that explicitly requires that the RESP pay for all services and assets made available.
Not discriminate	We will not directly or indirectly discriminate in favour of the RESP.	<ul style="list-style-type: none"> ✓ We have and continue to educate our staff to treat the RESP at arms-length and on similar terms to other participants in relevant markets. ✓ We have communicated to the business where issues have arisen and the identified remedial actions.

-
-
-
-
-
- **Approach to**
- **Embedding Compliance**

Obligation	Approach to compliance	How we achieved compliance
No cross-promotion	<p>We will not advertise or promote the services of the RESP.</p> <p>Brand: We have implemented a branding solution for vehicles, shared staff and public documents.</p>	<ul style="list-style-type: none"> ✓ We have in place Advertising and Promotional Materials policies and procedures to control the promotion of the RESP's services, and this promotion is only conducted by staff of the RESP. ✓ We have standard terms/conditions/contracts with service providers for contracts for the provision of services to reflect ring-fencing obligations.
Functional separation	<p>Physical separation: We operate independent and separate offices to the RESP.</p>	<ul style="list-style-type: none"> ✓ We have separate office locations for all staff of the RESP. These locations are either fully independent of the DNSP or contain limited DNSP staff that do not have access to ring-fenced information, e.g. warehouse staff.
	<p>Staff sharing: Staff directly involved in the provision or marketing of direct control services with access to ring-fenced information are not involved in the provision or marketing of contestable services by the RESP.</p>	<ul style="list-style-type: none"> ✓ We have reviewed staff that are shared on a periodic basis and updated the Staff Sharing Register on a quarterly basis. Where staff cannot be shared, we either review job descriptions to separate roles or discontinue certain activities. ✓ We have standard terms/conditions/contracts with service providers for contracts for the provision of services to reflect ring-fencing obligations. ✓ We have developed a set of principles to assist in setting parameters for staff secondments between Endeavour Energy and the RESP.

-
-
-
-
-
- **Approach to**
- **Embedding Compliance**

Obligation	Approach to compliance	How we achieved compliance
Information access & disclosure	Protection: We protect confidential information provided by a customer or prospective customer for direct control services and only use that information for the purpose it was provided.	<ul style="list-style-type: none"> ✓ We have a process in place for the management of electricity information requests. ✓ We have standard terms/conditions/contracts with service providers for contracts for the provision of services to reflect ring-fencing obligations.
	Sharing: Where we acquire information for direct control services and share it with the RESP, we provide equal access to others through our established information sharing protocol and register of information requests	<ul style="list-style-type: none"> ✓ An updated Information Sharing Register was compiled detailing all legal entities that requested access to Ring-fenced Information. This register is updated quarterly and made publicly available on our website.
	Disclosure: We do not disclose confidential information obtained in providing direct control services to any party without the approval of the customer or potential customer to whom that information relates.	<ul style="list-style-type: none"> ✓ Information systems were monitored and periodic user access reviews undertaken to test access privileges of staff to ensure adequate controls were in place. ✓ We modified our information systems to improve access controls to provide the RESP with the same access as external parties in relevant markets whilst not comprising our obligations related to privacy and confidentiality. ✓ Improvements have been made with the automation of user access provisioning with the introduction of SAP.



• **Section 2**

• **Maintaining Compliance**

-
-
-
-
-
-
- **Maintaining Compliance**

Obligation	Compliance Status	Summary of Compliance
Legal separation of DNSP from other entities	Compliant	<p>Endeavour Energy (Network Operating Partnership) is legally separated from the unregulated business, Ausconnex (Network Unregulated Partnership).</p> <p>Contractual arrangements in relation to corporate services and asset sharing are formally defined in a Business Support Agreement between Endeavour Energy and Ausconnex that was renewed during the reporting period for a further three years.</p>
Account separation and cost allocation	Partially Compliant	<p>Separate financial and accounting forecasts and statements were maintained in two separate applications up until 30 September 2021 to enable distinct transactions between Endeavour Energy and Ausconnex. The FY21 statutory accounts were subject to audit by an external third party. A new financial management system was implemented from 1 October 2021 that enables distinct and separate accounting to continue between Endeavour Energy and Ausconnex.</p> <p>Endeavour Energy attributes costs in accordance with the Accounting for Ausconnex Guidelines which adheres to obligations 3.2.2(a) and (b) of the Guideline. The Accounting for Ausconnex Guideline is updated on an annual basis.</p> <p>Endeavour Energy had one material breach of the Cost Allocation Guideline during the reporting period. A summary of the breach, how it was identified and remediated is outlined in Section 4 - Breaches of the Ring-fencing Guideline.</p>
Clear obligation for DNSP to not discriminate	Compliant	<p>Ring-fencing obligations have been and continue to be communicated to staff via internal communication avenues.</p> <p>Endeavour Energy continues to operate under the guiding principles for providing equal access to Electricity Information. Our Information Sharing Register was updated on a quarterly basis throughout the reporting period and made publicly available on our website.</p> <p>Our dedicated ring-fencing email box remained open to monitor complaints, inquiries and potential breaches etc.</p>

-
-
-
-
-
-
- **Maintaining Compliance**

Obligation	Compliance Status	Summary of Compliance
No cross-promotion	Partially Compliant	<p>Ausconnex continued to operate as a distinct brand from Endeavour Energy with independent advertising, communication and promotional material. Endeavour Energy established Company Procedures to address the requirements related to branding and cross-promotion considerations.</p> <p>Endeavour Energy had four material breaches of the Branding and Cross-promotion Guideline during the reporting period. A summary of each breach, how it was identified and remediated is outlined in Section 4 - Breaches of the Ring-fencing Guideline.</p>
Physical Separation	Compliant	<p>Ausconnex is physically separated from Endeavour Energy's regulated business. Ausconnex staff do not have access to sensitive areas where ring-fenced information is held and used by Endeavour Energy staff.</p> <p>An Office Sharing Register is published on Endeavour Energy's website. This was reviewed bi-annually during the reporting period and will be reviewed quarterly moving forward.</p>
Staff Sharing	Partially Compliant	<p>Endeavour Energy's Staff Sharing Register is reviewed quarterly and made publicly available on Endeavour Energy's website. The register includes all shared staff roles that are involved in both the provision of marketing of Direct Control Services and Contestable Electricity Services, except those that perform services that are not electricity services, and only have access to electricity information to the extent necessary to perform those services.</p> <p>The Business Support Agreement between Endeavour Energy and Ausconnex clearly defines corporate services and asset sharing contractual arrangements.</p> <p>Endeavour Energy had one material breach of the Staff Sharing Guideline during the reporting period. A summary of the breach, how it was identified and remediated is outlined in Section 4 - Breaches of the Ring-fencing Guideline.</p>

-
-
-
-
-
-
- **Maintaining Compliance**

Regulatory and reporting controls have been established to support a compliance-orientated philosophy to the Guideline and embedding a once-removed approval process for some key changes to maintain a focus on securing compliance.

Embedding awareness of our obligations with staff allows our *staff* to act as a *control* in identifying issues before (and after) they arise to position Endeavour Energy for compliance. This is supported by online materials, such as FAQs, our Intranet site, SharePoint, online training modules and access to subject matter experts.

Transparency controls and processes are in place to provide increased visibility and accountability within Endeavour Energy for maintaining compliance with the Guideline; and transparency externally to empower stakeholders to ensure that Endeavour Energy is accountable for its ongoing compliance. Ring-fencing compliance has received its own internal branding at Endeavour Energy to assist staff in differentiating and identifying key internal communications.

HR controls have been established to provide role clarity to limit the opportunity for inadvertent breaches of the Guideline and to address potential incentives to breach the Guideline. These controls are supported by the **ICT and physical access controls** applied to all roles.

Training

Competing Fairly 2020 was launched on 5 October 2020. This training was mandatory for all permanent field and office-based staff. The training focussed on revising what staff had learned in the initial launch of Competing Fairly in 2019 and building on that knowledge base.

Training	Topics covered
Competing Fairly 2019	<ul style="list-style-type: none"> ● Regulated vs Unregulated ● Avoiding Cross-Promotion ● Appropriate Information Sharing
Competing Fairly 2020	<ul style="list-style-type: none"> ● What have you learned? ● The Introduction of Civil Penalties ● Staff Sharing ● Cost Allocation

Training during the 2021 calendar year was postponed to 2022 to maintain staff focus on SAP Release 3 rollout and associated training needs as well as Critical Infrastructure training. Ring-fencing training for Competing Fairly 2022 is currently being scoped and is expected to head into development in July 2022.

Competing Fairly training continues to be mandatory for all permanent staff. It is a requirement for any new starters with Endeavour Energy to complete all modules of Competing Fairly training.



• **Section 3**
• **Reviewing Compliance**

-
-
-
-
-
-
- **Reviewing Compliance**

For example, Endeavour Energy may use the market to deliver certain regulated projects. Within that market engagement quotes may be received for certain activities or parcels of work. While the information is certainly confidential commercial information it may be less clear as to whether it is electricity information and therefore if it can be used more broadly within the context of compliance with the Guideline.

For such information Endeavour Energy considers that the question of whether it is electricity information or otherwise to be moot. In asking the question as to whether there would be an opportunity to use this information and would it have an anti-competitive impact the answer would be yes and therefore would be protected from access by Ausconnex and any shared staff in a role where it could be used to advantage the RESP.

Throughout the reporting period Endeavour Energy has continued to operate in accordance with its Information Sharing Approach and Protocol:

-
-
-
-
-
-
-
-
-
-

Reviewing Compliance


Endeavour Energy’s Information Sharing Protocol

The Ring-fencing Guideline requires Endeavour Energy to provide Ausconnex and its competitors with equal access to Electricity Information. To formalise the approach, Endeavour Energy has established and published this Information Sharing Protocol to staff to set out the terms and conditions for Ausconnex and its competitors to access Electricity Information. The guiding principles below have been established for providing equal access to Electricity Information.



FAIR PROTECTION

We will protect ring-fenced information provided by a customer or prospective customer for Direct Control Services and only use that information for the purpose it was provided unless compelled by law to do so



FAIR SHARING

Where we acquire electricity information for Direct Control Services and share it with Ausconnex, we will provide equal access to others by establishing an Information Sharing Protocol and register of information requests



FAIR DISCLOSURE

We will not disclose ring-fenced information obtained in providing Direct Control Services to any party without the approval of the customer or potential customer to whom that information relates

-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-
-

Section 4

**: Breaches of the
: Ring-fencing Guideline**

-
-
-
-
- **Breaches of the**
- **Ring-fencing Guideline**

Breaches of the Ring-fencing Guideline

Non-Material Breaches

During the reporting period Endeavour Energy did not report any non-material breaches to the AER.

Date reported	Obligation	Issue	Identification	Remediation
Nil				

-
-
-
-
- **Breaches of the**
- **Ring-fencing Guideline**

Material Breaches

During the reporting period the AER determined seven of Endeavour Energy’s reported breaches to be material. These breaches have been set out below.

Date reported	Obligation	Issue	Identification	Remediation
9-Jul-20	4.2.3 – Obligation to have separate branding and avoid cross-promotion	<p>A vehicle arrived at an Ausconnex worksite at 8am on a Saturday morning with Endeavour Energy branding on the driver's side door.</p> <p>At 10.15am the Site Supervisor was notified of the breach by the Site Project Manager and it was rectified immediately.</p> <p>All other vehicles were checked for branding and were found to be compliant.</p>	<p>A member of the public contacted the General Manager Ausconnex. The member of the public is known to the General Manager.</p> <p>The General Manager Ausconnex in turn contacted the Site Project Manager to have the breach rectified immediately.</p>	<p>Immediate action was taken to rectify the breach and remove the Endeavour Energy branding from the vehicle.</p> <p>The Operations Manager responsible for the deployment of the vehicle to the worksite was notified and requested to ensure that a review of all PPE, vehicles and equipment be undertaken prior to departure from the Field Service Centre to ensure compliance with the Ring-fencing Guideline.</p> <p>The General Manager of Ausconnex was notified and requested to ensure site inductions include a review of all PPE, including uniforms, in a staging area that is not publicly visible to ensure compliance with the Ring-fencing Guideline prior to vehicles entering the worksite.</p> <p>To support awareness of cross-promotion, a Ring-fencing Alert was issued to all staff regarding the breach.</p>

-
-
-
-
- **Breaches of the**
- **Ring-fencing Guideline**

Date reported	Obligation	Issue	Identification	Remediation
31-Aug-20	4.2.3 – Obligation to have separate branding and avoid cross-promotion	<p>1. Ausconnex engaged a shared resource to complete a design service. The Designer completed the Design Safety Report on an Endeavour Energy template.</p> <p>2. Ausconnex engaged a shared resource to complete a Summary Environmental Report. The shared resource signed off the report using an Endeavour Energy office and email addresses rather than Ausconnex office and email addresses.</p>	A member of staff reported concerns regarding a potential ring-fencing breach to Regulatory Assurance Team.	<p>1. Ausconnex were requested to cease using Endeavour Energy's Design Safety Report form and create their own form for use for their ASP Level 3 designs.</p> <p>2. Shared resources were reminded to ensure that reports completed on behalf of Ausconnex must include the Ausconnex office address and contact email address and not Endeavour Energy's. Investigation undertaken at the time confirmed the shared resources had been cost allocated and appeared on the staff sharing register.</p>
22-Jan-21	4.3.2 – Obligation to protect confidential information	<p>A staff member working for Ausconnex had access to ring-fenced information from his previous role as a Commercial Manager within the Finance Division via his Endeavour Energy email account.</p> <p>This information included details of high voltage customers' names and</p>	An Endeavour Energy staff member reported concerns regarding a potential ring-fencing breach to the Regulatory Assurance Team.	<p>When an employee is recruited into Ausconnex, an email notification is sent by Human Resources to the ICT Service Desk. The ICT Service Desk must adhere to the Ausconnex Knowledge Base Article to ensure appropriate network drive, email, phone and application access is granted to the user.</p> <p>Due to ICT system limitations, the Endeavour Energy email account of Ausconnex staff is unable to be deactivated. Ausconnex staff are instructed not to</p>

-
-
-
-
- **Breaches of the**
- **Ring-fencing Guideline**

Date reported	Obligation	Issue	Identification	Remediation
		<p>revenue information. This information was from April 2018 and was available to the staff member when he was working for Endeavour Energy before becoming an Ausconnex staff member.</p> <p>This information was available on the employee's Endeavour Energy email account and not accessed via a shared corporate directory.</p> <p>Due to ICT system limitations, the Endeavour Energy email account of Ausconnex staff is unable to be deactivated.</p>		<p>access archived information from their Endeavour Energy email account.</p> <p>As part of the ICT Operation Monthly Security Calendar activities, an Ausconnex employee access report is extracted and compared against an Ausconnex termination report from HR each month to confirm correct user access.</p> <p>Endeavour Energy confirmed that the staff member had completed all mandatory ring-fencing training.</p> <p>Formal communication was issued to all Ausconnex staff to remind them of their ICT restrictions and obligations.</p>
16-Feb-21	4.3.2 – Obligation to protect confidential information	An employee working for Ausconnex had access to ring-fenced information via access to a financial system as a legacy from his previous role at Endeavour Energy in the Finance Division that went undetected.	An Endeavour Energy employee reported concerns regarding a potential ring-fencing breach to Regulatory Assurance Team.	<p>Finance reviewed access to the financial system for this user and restricted the access to the Ausconnex cube only for reporting use moving forward.</p> <p>As part of the ICT Operation Monthly Security Calendar activities, an Ausconnex employee access report is extracted and compared against an</p>

-
-
-
-
- **Breaches of the**
- **Ring-fencing Guideline**

Date reported	Obligation	Issue	Identification	Remediation
				<p>Ausconnex termination report from HR each month to confirm correct user access.</p> <p>Endeavour Energy confirmed that the employee had completed all mandatory ring-fencing.</p> <p>Formal communication was issued to all Ausconnex staff to remind them of their ICT restrictions and obligations.</p>
19-Feb-21	4.2.3 – Obligation to have separate branding and avoid cross-promotion	Internal audit staff were at an Endeavour Energy work site conducting a safety observation and observed regulated works being undertaken of a pole replacement under live work conditions. The crew were observed to be wearing Endeavour Energy branded uniform and PPE, however, observed that the heavy vehicles on site were branded Ausconnex.	The Endeavour Energy staff that were conducting safety observation raised concerns regarding a potential ring-fencing breach to the Regulatory Assurance Team via email after making some initial internal enquiries.	<p>Endeavour Energy's heavy vehicle fleet has been fitted with a perspex frame that allows interchangeable signage between Endeavour Energy and Ausconnex. This mechanism allows the correct branding to be displayed at the required work site.</p> <p>The heavy vehicles involved had previously been deployed to an Ausconnex work site and had been branded Ausconnex as they were being utilised on a daily basis. The Ausconnex branding applied was in the form of a sticker as the perspex frame was not fitted at the time of this work being conducted due to replacement frames being required. Crew were aware that they had the incorrect branding on the vehicles however did not have any Endeavour Energy stickers</p>

-
-
-
-
- Breaches of the
- Ring-fencing Guideline

Date reported	Obligation	Issue	Identification	Remediation
				<p>to place over the top of the Ausconnex stickers. This stock issue has since been rectified.</p> <p>Perspex frames have now been fitted to these three vehicles and they are equipped to comply with Endeavour Energy's ring-fencing requirements.</p> <p>A review of all Field Service Centres will be checked to ensure that all heavy vehicles are equipped with the perspex frames which will be completed by the end of March 2021. This review has been delayed due to COVID impacts and is expected to be completed by 30 September 2022. Communication will be sent to all Operations Managers to ensure this review is undertaken as a priority.</p> <p>Communication was sent to the Operations Manager of the Field Service Centre involved to remind staff that the correct branding be applied before arriving to the work site and a reminder that should there be any issues with branding, that no branding be visible rather than incorrect branding being visible.</p> <p>A ring-fencing alert was communicated to all staff to increase awareness of this cross-promotional issue.</p>

-
-
-
-
- Breaches of the
- Ring-fencing Guideline

Date reported	Obligation	Issue	Identification	Remediation
24-Feb-21	<p>3.2.2 (a, b) - Obligation to operate consistently with Cost Allocation Principles</p> <p>4.2.4(b) – Maintain a staff sharing register</p>	<p>An amendment to the Network Overhead monthly invoice to Ausconnex was made on 1 July 2019. This amendment resulted in a reduction to the percentage charged to Ausconnex for network labour as part of the Ausconnex monthly Network Overhead charge.</p> <p>Specifically, this change meant the role of Scheduler and Technical Support Officer moved from being a corporate network role to a shared services role.</p>	<p>A staff member made an inquiry to the Regulatory Assurance Team following the completion of Competing Fairly training to inquire whether Technical Support Officers and Schedulers should be on the Staff Sharing Register.</p>	<p>For these roles to become a shared service the function needs to be added to the Staff Sharing Register to enable employees to be shared with Ausconnex and cost allocate their time spent working for Ausconnex via a timesheet and charged accordingly via an invoice.</p> <p>Technical Support Officers and Schedulers have been added to Endeavour Energy's Staff Sharing Register. Communication will be provided to employees to explain the changes and requirements of moving from a corporate network role to a shared services role and how-to timesheet so that hours can be captured and on-charged to Ausconnex.</p> <p>A review of Ausconnex workorders back to 1 July 2019 was undertaken to ascertain the costs to be retrospectively charged for Technical Support Officers and Schedulers who worked on Ausconnex projects. This process was undertaken between the Regulatory Compliance and Commercial Finance Teams. Ausconnex was issued with an invoice for the retrospective amount.</p>

-
-
-
-
- **Breaches of the**
- **Ring-fencing Guideline**

Date reported	Obligation	Issue	Identification	Remediation
27-May-21	4.2.3 – Obligation to have separate branding and avoid cross-promotion	A LinkedIn post of an Ausconnex employee announced his acceptance into an Endeavour Energy leadership program and at the same time thanking Ausconnex team members for support.	An external stakeholder sent a screenshot of the LinkedIn post to the AER.	<p>LinkedIn is a personal social media account and not affiliated with Endeavour Energy or Ausconnex and not used to advertise or promote direct control services or contestable electricity services but rather an individual's career experience.</p> <p>The employee was requested to remove the post in line with the request of the AER. Confirmation was received from the General Manager of Ausconnex that this was carried out on 20 May 2021.</p> <p>A Ring-fencing Alert was communicated to all Endeavour Energy and Ausconnex employees on 27 May 2021 reminding employees of the obligations under clause 4.2.3 of the Guideline.</p> <p>Additional communication was sent to all Ausconnex employees reminding them that they are not to mention any affiliation with Endeavour Energy on LinkedIn.</p>

-
-
-
-
-
-
-

Other compliance matters identified

During the annual compliance assessment process, additional compliance matters were identified as set out below:

Process failure in interim remediation activities related to a previously reported breach

Through the independent assessment undertaken of Endeavour Energy's compliance to the ring-fencing guideline, it was identified through the requirement for Endeavour Energy to provide evidence to KPMG (auditor) that a process failure had occurred whereby the controls put in place that have flow on processes were not being fully implemented in practice, in particular a control relating to ring-fencing guideline 4.3.2 – obligation to protect confidential information.

In January 2021, Endeavour Energy submitted a breach to the AER detailing it had breached this guideline. A staff member working for Ausconnex had access to ring-fenced information from his previous role as a Commercial Manager within the Finance Division via his Endeavour Energy email account. This information included details of high voltage customers' names and revenue information. Details of the breach are contained in Section 4 of this report on page 32 dated 22-Jan 2021.

Following the AER claiming materiality of the breach, consultation occurred in April and May 2021 with the AER providing Endeavour Energy the opportunity to provide further solutions to the matter. Internal consultation with ICT provided a long-term proposal of undertaking a domain segregation.

As an interim solution, it was proposed that Endeavour Energy remove all emails from the users email account from the period prior to joining Ausconnex and archiving this information on a permanent basis unless the staff member was on secondment to Ausconnex, returning to Endeavour Energy in the future. This was agreed to by the AER and agreement to remediate the 16 Ausconnex staff accounts was actioned and confirmation provided to the AER that this was undertaken effective 28 June 2021.

The control was put in place for any future staff member joining Ausconnex from Endeavour Energy to have this practice applied until domain segregation could be implemented. Updates on the progress of the domain segregation project was provided to the AER in September 2021, noting the project was being considered amongst priorities in the organisation. Formal consideration of the project is currently being considered with a proposal being prepared to be presented to the Board in coming months.

Upon KPMG reviewing controls in place when assessing reported breaches and undertaking testing it was discovered that two employees from Endeavour Energy had been appointed to Ausconnex however their email access had not been archived from the period of commencement in their Ausconnex roles.

Investigation into this matter has detected that while the automated process of HR advising ICT of the staff transfer and identifying the role as a ring-fenced role, the action taken by ICT did not occur due to human error.

Endeavour Energy ICT staff have since archived and deleted Endeavour Energy emails from both employees Outlook mailboxes. ICT have confirmed there is no audit trail for Endeavour Energy to prove that these employees did or did not access the emails. The impacted staff have been interviewed and provided confirmation that they have not accessed their Endeavour Energy email accounts.

Other compliance matters identified

Endeavour Energy has considered the nature of the two employees' previous Endeavour Energy roles, noting both to be corporate service roles in nature. These roles have no need to have access to confidential electricity information, but rather would receive and access information on an aggregated basis such that it does not constitute confidential electricity information. As such, Endeavour Energy consider the risk that electricity information was available in the Endeavour mailboxes impacted to be remote have and concluded that this matter is not a breach of the Ring-fencing Guidelines but rather a process failure in response to interim remediation activities undertaken in relation to a previously reported breach reported to the AER in January 2021.

Remediation will also include communication to be sent to both ICT and Human Resources departments to ensure there is a loop back to confirm implementation of the control.

Endeavour Energy acknowledge this is a poor outcome however strongly believe this is a process failure and can demonstrate there is a process in place that will continue to be monitored and reported against.

Breaches notified to the AER subsequent to 31 December 2021

KPMG found that Endeavour Energy had failed to make the Information Sharing Protocol publicly available on its corporate website in accordance with Clause 4.3.4(d) of the Electricity Distribution ring-fencing Guideline (version 2).

On Friday, 8 April 2022, Endeavour Energy submitted a material breach report to the AER regarding the non-compliance with Clause 4.3.3(d) of the Electricity Distribution Ring-fencing Guideline (version 3). Endeavour Energy made this determination considering the breach was identified during the FY22 reporting period despite the non-compliance commencing during the period currently under assessment (1 July 2020 to 31 December 2021) to which version 2 is being applied. The breach notification was submitted within 15 business days in accordance with the Electricity Distribution Ring-fencing Guideline (version 3).

Materiality of the breach is yet to be confirmed by the AER.

Details of the breach are summarised below:

Obligation*	Issue	Identification	Remediation
4.3.3 - Obligation regarding sharing of information	Endeavour Energy's Information Sharing Protocol was not made publicly available on its website in accordance with clause 4.3.3(d) of the Guideline.	The Information Sharing Protocol not being publicly available on Endeavour Energy's website was identified as part of the annual compliance	The Information Sharing Protocol and Approach has been reinstated on Endeavour Energy's corporate website. Regulatory Assurance will undertake a review of the Information Sharing Protocol and Approach in parallel

Other compliance matters identified

Obligation*	Issue	Identification	Remediation
		assessment process being undertaken by KPMG.	with any recommendations made by the independent assessor to improve information sharing processes and access to all legal entities.

*Obligation reported as per Electricity Distribution Ring-fencing Guideline 2021 (version 3), noting in version 2 the obligation is 4.3.4(d)

In addition, the audit discovered that discrepancies and required changes identified during monthly user access reviews of Endeavour Energy shared drives were not actioned upon in a timely manner .

Investigation of this matter found that there was confusion between staff changeover of a role and an ICT staff member assumed this function (access review changes) was being updated through an automated process therefore no action was taken.

As a result of the implementation of the planned automation of this process, remediation occurred on 9 December 2021.

Endeavour Energy are unable to ascertain the extent to which Ausconnex staff acted upon the access to shared drive folders of information and therefore, with the risk of the number of staff and the period involved, Endeavour Energy consider this is a breach. Subsequently, Endeavour Energy submitted a breach report to the AER regarding the non-compliance against Clause 4.3.2 of the Electricity Distribution Ring-fencing Guideline (version 3). Endeavour Energy made this determination considering the breach was identified during the FY22 reporting period despite the non-compliance commencing during the period currently under assessment (1 July 2020 to 31 December 2021) to which version 2 is being applied.

Details of the breach and remediation are provided below.

Obligation*	Issue	Identification	Remediation
4.3.1 – Obligation to protection of ring-fenced information	Employees working for Endeavour Energy's RESP, Ausconnex, had access to shared corporate drives that could potentially contain ring-fenced information via access to network drives as a	The ring-fencing audit assessment undertaken by KPMG (auditor) raised concerns around the lack of remediation against access issues highlighted as a result of requesting samples of reports for monthly security calendar	Endeavour Energy can confirm the following controls are in place: When an employee is recruited into the RESP from Endeavour Energy, an email notification is sent by the Human Resources application to ICT to ensure appropriate access is granted to the user. This process will

-
-
-
-
-
-

Other compliance matters identified

Obligation*	Issue	Identification	Remediation
	legacy from previous roles held at Endeavour Energy where access was not remediated.	activities to review user access control.	<p>be recomunicated to HR and ICT to ensure all staff are aware of the process.</p> <p>As part of the ICT Monthly Security Calendar activities, a RESP employee access report is extracted and compared against a RESP termination report from HR each month to confirm correct user access. This process is a manual process and is carried out monthly.</p> <p>Formal communication will be issued to all RESP employees to remind them of their ICT restrictions and obligations.</p>

*Obligation reported as per Electricity Distribution Ring-fencing Guideline 2021 (Version 3), noting in Version 2 the obligation is 4.3.2



Section 6 Waivers

-
-
-
-
-
-
- **Waivers**

Waivers

Endeavour Energy has no active waivers.

Copies of Endeavour Energy's previous waivers and the AER's decision can be found on the AER's website.

-
-
-
-
- **Other services provided by the DNSP**
-

Other services provided by the DNSP

Endeavour Energy does provide other services being those directly addressed by clause 3.1(d)(i) of the October 2017 Ring-fencing Guideline (version 2) and which are also captured by the operation of the Shared Asset Guideline. Specifically, Endeavour Energy provides access to land and electrical infrastructure to other service providers, notably telecommunications companies, for a rental fee.

These other services do not interfere with the provision of standard control services. In some instances, “make ready works” undertaken by other service providers as a requirement for gaining access often augments or extends the life of the assets providing standard control services at no cost to electricity customers.

•
•
•
•
•
•
•
•
•
•
•
•
•
•
•
•
•
•
•
•
•
•

Section 8

**Transaction between the
DNSP and the RESP**

-
-
-
-
-
- **Transactions between the DNSP and Affiliated Entity**

Transactions between the DNSP and the RESP

Clause 6.2.1(b)iv requires that Endeavour Energy disclose the purpose of all transactions with the RESP. The table below outlines the transactions with the RESP grouped by common purpose and nature.

Due to the types of services undertaken by the RESP and the corporate services provided to the entity by Endeavour Energy, the transactions listed are exclusive payments to Endeavour Energy for corporate and other services provided to the RESP.

Affiliate Entity	Purpose of Transaction	Nature and Status of Transaction
Network Unregulated Partnership trading as Ausconnex	Rental of office space from Endeavour Energy	Ausconnex rents office space on land owned by Endeavour Energy. The office occupied is physically separated from Endeavour Energy office areas. This is expected to be an ongoing service provided to Ausconnex.
Network Unregulated Partnership trading as Ausconnex	Provision of direct labour, materials, sub-contractor and other costs	Endeavour Energy provides services to Ausconnex which includes use of staff (either partly or wholly allocated to Ausconnex), materials and sub-contractors used on Ausconnex projects and any incidental costs which all are on-charged to Ausconnex.
Network Unregulated Partnership trading as Ausconnex	Provision of corporate services	Endeavour Energy provides corporate services to Ausconnex which includes, IT equipment, infrastructure and support, accounting, legal support and insurance.
Network Unregulated Partnership trading as Ausconnex	Provision of management resources	Endeavour Energy provides management/administrative staff to Ausconnex on a full-time basis. The cost of these people is on-charged to Ausconnex.
Network Unregulated Partnership trading as Ausconnex	Provision of direct labour, materials, sub-contractor and other costs	Endeavour Energy provides Network Ancillary Services. These are non-routine services distributors provide to individual customers on an 'as needs' basis.

-
-
-
-
- **Independent Review and Assessment**

Independent Review and Assessment

Endeavour Energy engaged KPMG as our independent assessor.

The report prepared by KPMG contains a number of process improvement observations that have provided Endeavour Energy with a range of avenues to strengthen existing controls and to raise the internal visibility of our ring-fencing compliance throughout the year. It is our intention to explore how we can leverage these observations over the course of the forthcoming year.

Produced by Regulatory Assurance

W [Endeavourenergy.com.au](https://endeavourenergy.com.au)
E ringfencing@endeavourenergy.com.au
T 131 081



ABN 11 247 365 823