



# Independent Reasonable Assurance Report

To the Directors of Endeavour Energy

## Conclusion

In our opinion, Endeavour Energy's Statement of Compliance that the entity has, with the exception of the matters identified in Section 4 and 5 of the Ring-fencing Annual Compliance Report, complied with the Ring-fencing Guideline published by the AER on 17 October 2017 is, in all material respects, fairly presented for the 18-month regulatory period ended 31 December 2021.

## Emphasis of Matter – Breaches of Ring-fencing Guideline

Without qualifying our conclusion, we draw attention to Section 4 and Section 5 of Endeavour Energy's Ring-fencing Annual Compliance Report ("Annual Compliance Report"), which describes the breaches identified and reported to the AER for the 18-month regulatory period ended 31 December 2021.

*Breach of Clause 3.2.2 of the Ring-fencing Guideline – Cost allocation and attribution*

*Breach of Clause 4.2.4 of the Ring-fencing Guideline – Office and staff registers.*

The Ring-fencing Guideline published by the AER on 17 October 2017 (the "Ring-fencing Guideline") requires a distributor to allocate or attribute costs between distribution and non-distribution services in a manner that is consistent with the Cost Allocation Principles and its approved Cost Allocation Method and maintain a register that identifies shared staff positions, including a description of the roles, functions and duties.

Endeavour Energy identified and notified the AER that, following an amendment to the classification of Technical Support Officers and Schedulers roles from corporate support to shared services on 1 July 2019, these roles were not added to the Staff Sharing Register and no costs were allocated in respect of their time spent working for Ausconnex (RESP).

*Breaches of 4.2.3 of the Ring-fencing Guideline – Branding and Cross-Promotion*

The Ring-fencing Guideline requires that a distributor 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 that they are related, and that a distributor must not advertise or promote its direct control services and its contestable electricity services together, including by way of cross-promotion. Endeavour Energy identified and notified the AER that:

- An employee arrived at an Ausconnex worksite with Endeavour Energy branding on the driver's side door.



- A shared staff member prepared Design Safety and Environmental Safety reports on behalf of Ausconnex on Endeavour Energy report forms.
- Internal audit staff observed Ausconnex-branded heavy vehicles at an Endeavour Energy regulated works site.
- An Ausconnex employee announced his acceptance into an Endeavour Energy leadership program and thanked Ausconnex team members for their support.

#### *Breaches of 4.3.2 of the Ring-fencing Guideline – Protection of confidential information*

The Ring-fencing Guideline requires that a distributor must keep confidential information confidential. Endeavour Energy identified and notified the AER that:

- An Ausconnex employee had access to ring-fenced information from his previous role at Endeavour Energy via his Endeavour Energy email account.
- An Ausconnex employee had access to ring-fenced information from his previous role at Endeavour Energy via continuing access to a financial system.
- Ausconnex staff had access to Endeavour Energy shared drives for a period of time throughout the 18-month regulatory period ended 31 December 2021.

In addition to the breaches of clause 4.3.2 above, KPMG identified the following process failure in relation to interim remediation activities associated with the previously reported breach regarding access to email accounts:

- two Ausconnex staff retained access to their Endeavour Energy emails following the implementation of manual measures to restrict email access as a result of the breach of 4.3.2 of the Ring-fencing Guideline above.

#### *Breach of 4.3.4(d) of the Ring-fencing Guideline – Information Sharing Protocol*

The Ring-fencing Guideline requires that a distributor establish an information sharing protocol that sets out how and when it will make confidential information available to legal entities and make that protocol publicly available on its website.

KPMG identified and Endeavour Energy notified the AER that the Information Sharing Protocol was not available on the Endeavour Energy website for a period of time during the 18-month regulatory period ended 31 December 2021.

## **Scope**

The subject of our assurance engagement is whether Endeavour Energy's Statement of Compliance that the entity has, with the exception of the matters identified in Section 4 and 5 of the Annual Compliance Report, complied with the Ring-fencing Guideline published by the AER on 17 October 2017 is, in all material respects, fairly presented for the 18-month regulatory period ended 31 December 2021. This Statement of Compliance accompanies our report, for the purpose of reporting to the Directors of Endeavour Energy and the AER.

## **Basis for Our Conclusion**

We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* (ASAE 3100). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a



basis for our conclusion.

In accordance with ASAE 3100 we have:

- used our professional judgment to plan our procedures and assess the risk of material misstatements in Endeavour Energy's Statement of Compliance that the entity has, with the exception of the matters reported in Section 4 and 5 of the Annual Compliance Report, complied with the Ring-fencing Guideline;
- considered internal controls implemented to meet the compliance requirements; however, we do not express a conclusion on their effectiveness; and,
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

## **Summary of Procedures Performed, Observations and Findings**

In Appendix A, we provide an overview of the key procedures, observations and findings in relation to each of the Ring-fencing Guideline requirements. This overview is provided at the request of the AER to provide greater transparency over the work we performed. Our conclusion is not modified in this respect.

In Appendix B, we have summarised performance improvement observations. Our conclusion is not modified in respect of these observations.

## **How We Define Reasonable Assurance and Material Misstatement**

- Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement in Endeavour Energy's Statement of Compliance when it exists.
- Instances of misstatement in Endeavour Energy's Statement of Compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users taken on the basis of Endeavour Energy's compliance with the Ring-fencing Guideline.

## **Inherent Limitations**

- Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error, or material misstatement in Endeavour Energy's Statement of Compliance may occur and not be detected.
- A reasonable assurance engagement for the 18-month regulatory period ended 31 December 2021 does not provide assurance on whether compliance with the compliance requirements of the Ring-fencing Guideline will continue in the future.

## **Use of this Assurance Report and Matters Relating to Electronic Publication**

This report has been prepared for the Directors of Endeavour Energy and the AER for the purpose of compliance with the Ring-fencing Guideline and may not be suitable for another purpose.

We understand that the AER intends to publicly release our assurance report via its website. The AER is responsible for the integrity of AER's website where our report is presented alongside the Annual Compliance Report. We have not been engaged to report on the integrity of the AER's website. This report refers only to the Statement of



Compliance and does not provide an opinion on any other information which may have been hyperlinked to/from the Annual Compliance Report. If users of the Annual Compliance Report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the Annual Compliance Report to confirm the information contained in this website version of the Annual Compliance Report.

We disclaim any assumption of responsibility for any reliance on this report, or the Annual Compliance Report to which it relates to any person other than the Directors of Endeavour Energy and the AER, or for any purpose other than that for which it was prepared.

### **Management's Responsibility**

Management is responsible for:

- the compliance activities including identifying, designing and implementing controls to meet the requirements of the Ring-fencing Guideline;
- identification of the risks that threaten the compliance with the Ring-fencing Guideline from being met;
- monitoring ongoing compliance; and,
- preparing an Annual Compliance Report and providing a Statement of Compliance with respect to the outcome of the evaluation of the compliance activity against the Ring-fencing Guideline, which accompanies this Independent Assurance Report.

### **Our Responsibility**

Our responsibility is to perform a reasonable assurance engagement in relation to Endeavour Energy's Statement of Compliance with the Ring-fencing Guideline, for the 18-month regulatory period ended 31 December 2021 and to issue an assurance report that includes our conclusion.

### **Our Independence and Quality Control**

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.



KPMG

Sydney

29 April 2022



## Appendix A: Summary of procedures performed, observations and findings

In this section, we present an overview of key procedures performed, observations and findings as part of our reasonable assurance engagement in respect Endeavour Energy's compliance activities with the relevant requirements of the Ring-fencing Guideline for the 18-month regulatory period ended 31 December 2021.

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our conclusion reported in the Independent Reasonable Assurance Report.

We performed the following general procedures to assess Endeavour Energy's overall compliance with the Ring-fencing Guideline:

- Conducted interviews and inspected supporting evidence which included policies, procedures and practices undertaken to obtain an understanding of Endeavor Energy's approach to Ring-fencing compliance and related regulatory business activities.
- Read the prior year Annual Compliance Report and correspondence with the AER for the regulatory period from 1 July 2019 to 30 June 2020 to understand the scope of past breaches and observations identified through previous audits.

During the performance of these procedures, we identified that the following company policy documents had not been reviewed within the timeframes specified in the documents:

- GMM0001- *Producing Advertisements, Communication and Promotional Materials (last review date January 2017)*
- Company Policy 14.1- *Advertising, Communication and Promotional Materials (last review date January 2018)*
- GMM0003 – *Purchase, Use and Issue of Branded Promotional Products (last review date August 2017)*
- GAM1100 – *Electricity Information Requests (last review date December 2017)*

As a result, several of the documents above still reference the Ring-fencing Guideline 2016 (v1). In addition, we noted that GRG0013 Compliance Reporting for Ring-Fencing Guideline refers to an October annual reporting period and does not specify the version of the Ring-fencing Guideline with which the company is currently complying.

We recommend all of the documents above are reviewed in conjunction with the adoption of the Ring-fencing Guideline 2021 (v3) during the 2022 regulatory compliance period (**PIO1**). Refer to **Appendix B** for further information on process improvement opportunities (PIOs) identified.



The following table provides a summary of procedures, observations and findings for each Ring-fencing guideline requirement:

Compliance requirement	Management Controls	Procedures performed	Observations / findings
<b>Legal Separation</b>			
3.1(a) A Distribution Network Service Provider (DNSP) must be a legal entity.	<ul style="list-style-type: none"> <li>Endeavour Energy and Ausconnex have separate Australian Business Numbers (ABNs).</li> </ul>	<ul style="list-style-type: none"> <li>Obtained and inspected the Legal Entity Structure for Endeavour Energy.</li> <li>Performed an ASIC search on Endeavour Energy and Ausconnex using their ABNs.</li> </ul>	<ul style="list-style-type: none"> <li>The DNSP organisation (Network Operating Partnership (NOP); Endeavour Energy) is a legal entity and separate from the organisation's unregulated business (Network Unregulated Partnership (NUP); Ausconnex).</li> <li>Endeavour Energy and Ausconnex are separate legal entities based on their active ABN number.</li> </ul>
3.1(b) Subject to this clause 3.1, a DNSP may provide distribution services and transmission services, but must not provide other services.	<ul style="list-style-type: none"> <li>Contractual arrangements in relation to corporate services and asset sharing is formally defined in the Business Support Agreement.</li> </ul>	<ul style="list-style-type: none"> <li>We read Endeavour Energy's 2019-2020 Annual Ring-fencing compliance report and enquired of management to gain an understanding of the scope of services provided by the entity and past waivers for non-distribution services to assess the nature of services provided.</li> <li>Performed sample testing of 40 transactions throughout the 18-month period ended 31 December 2021, to assess whether these were allocated in accordance with Endeavour Energy's Cost Allocation Method (CAM) and whether there were any instances of Endeavour Energy providing "other services" which would</li> </ul>	<ul style="list-style-type: none"> <li>Other services reported in the waiver granted by the AER to Endeavour Energy in December 2017 have since been reclassified to standard control services. No new waivers have been reported by Endeavour Energy in the current period.</li> </ul>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<p>be considered restricted under the guideline.</p> <ul style="list-style-type: none"> <li>Obtained and inspected the Business Support Agreement between Endeavour Energy and Ausconnex to ascertain that corporate services and asset sharing contractual arrangements have been defined, are in place, and are consistent with this obligation.</li> </ul>	
<b>Establish and maintain accounts</b>			
<p>3.2.1(a) A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.</p>	<ul style="list-style-type: none"> <li>Financial and Accounting records are maintained separately for Endeavour Energy and Ausconnex.</li> <li>Contractual arrangements in relation to corporate services and asset sharing have been formally defined in the Business Support agreement.</li> <li>Attribution of costs in accordance with the Accounting for Ausconnex internal procedure document, which supports the application of Endeavour Energy's Cost Allocation</li> </ul>	<ul style="list-style-type: none"> <li>Obtained evidence on a sample basis of management's monthly review of financial results compared to budget/forecast, which separately identifies Endeavour Energy and Ausconnex.</li> <li>Obtained and inspected the Business Support Agreement between Endeavour Energy and Ausconnex to ascertain whether cost allocations, including charge-out billing between the two entities, are covered under the Business Support Agreement.</li> <li>Inspected the Accounting for Ausconnex internal procedure</li> </ul>	<ul style="list-style-type: none"> <li>Separate financial accounts were maintained in separate systems through 30 September 2021. From October 2021, following the implementation of the new SAP ERP, separate financial information was maintained through separate profit and cost centre codes.</li> <li>The Accounting for Ausconnex internal procedure document refers to Ellipse (Endeavour Energy's ERP from 1 July 2020 to 30 September 2021) and Xero (Ausconnex's separate accounting system from 1 July 2020 to 30 September 2021). Whilst the Accounting for Ausconnex internal procedure document remains relevant at a principle level, the document should be updated to reflect the use of the SAP accounting system and be made specific to post-ERP implementation process controls (<b>PIO 2</b>).</li> </ul>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
	<p>Methodology.</p> <ul style="list-style-type: none"> <li>Preparation of annual financial statements and Regulatory Information Notices that are audited by external third parties.</li> </ul>	<p>document to check whether it supports the application of Endeavour Energy's Cost Allocation Methodology.</p> <ul style="list-style-type: none"> <li>Obtained an understanding of how transactions are maintained separately through enquiry with management and inspection of underlying systems and documentation.</li> <li>Inspected a sample of monthly reconciliations of intercompany transactions and invoices to Ausconnex.</li> <li>Checked the monthly intercompany transactions sampled matched the transaction categories disclosed in Endeavour Energy's Compliance Report.</li> <li>Obtained the audited financial statements and Regulatory Information Notices of Endeavour Energy for the year ended 30 June 2021, which were accompanied by unqualified audit reports.</li> <li>Held discussions with the financial statement and RIN auditor to understand the scope and nature of the audits, including any significant</li> </ul>	





Compliance requirement	Management Controls	Procedures performed	Observations / findings
		findings that may impact the Ring-fencing compliance audit.	
<b>Cost Allocation and Attribution</b>			
<p>3.2.2(a) A DNSP must allocate or attribute costs to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if the Cost Allocation Principles and CAM otherwise applied</p>	<ul style="list-style-type: none"> <li>• Endeavour Energy’s CAM is approved by the AER and published on their website for each regulatory period.</li> <li>• Endeavour Energy attributes costs in accordance with the Accounting for Ausconnex internal procedure document.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspected Endeavour Energy’s CAM and checked that it addresses the attribution of costs between distribution and non-distribution services, was approved by the AER in March 2018 and is published on the Endeavour Energy website.</li> <li>• Inspected the Accounting for Ausconnex internal procedure document for alignment of cost allocation principles between distribution and non-distribution services and checked that it aligns with Endeavour Energy’s approved CAM.</li> </ul>	<ul style="list-style-type: none"> <li>• No instances of inappropriate cost allocation were identified through sample testing performed.</li> </ul> <p>The approved CAM document refers to Ellipse (Endeavour Energy’s ERP from 1 July 2020 to 30 September 2021) and related financial controls within that system. Whilst the CAM document remains relevant at a principle level, the document should be updated to reflect the use of the SAP accounting system and be made specific to post-ERP implementation process controls (PIO 2). <b><i>Breach identified and reported by Endeavour Energy to the AER</i></b></p>
<p>3.2.2(b) A DNSP must only allocate or attribute costs to distribution services in accordance with clause 3.2.2(a) and must not allocate or attribute other costs to the distribution services it provides.</p>		<ul style="list-style-type: none"> <li>• Conducted a walkthrough of the application of the CAM on a monthly basis, to confirm our understanding of the application controls and management’s review of the output.</li> <li>• Sampled 40 transactions throughout the 18-month period ended 31 December 2021, to assess whether they had been allocated in accordance with Endeavour Energy’s CAM.</li> </ul>	<p>On 24 February 2021, Endeavour Energy reported a breach to the AER in respect of clause 3.2.2(a,b) of the Ring-fencing Guideline. An amendment to the Network Overhead monthly invoice to Ausconnex was made on 1 July 2019. This amendment results in a reduction in the percentage charged to Ausconnex for network labour as part of the Ausconnex monthly Network overhead. Specifically, this meant the role of Scheduler and Technical Support Officer moved from being a corporate network role to a shared services role.</p> <p>The roles were not 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>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<ul style="list-style-type: none"> <li>• Sampled 3 months' CAM allocations for evidence of review by management.</li> <li>• Sampled 3 months' Ausconnex invoices for evidence of review by management and agreed them to supporting calculations and financial data.</li> <li>• Performed specific testing over the corrective measures applied to remediate the breach reported on 24 February 2021 at the AER's request. This included:               <ul style="list-style-type: none"> <li>○ obtaining management's calculation of the retrospective adjustment to correct the labour charge-out for the shared roles. Management determined the recharge based on the average percentage of work orders related to Ausconnex compared to the total number of work orders raised during the period from 1 July 2018 to 31 May 2021, and applied this percentage to total on-cost charges previously invoiced to Ausconnex, and</li> <li>○ reperforming</li> </ul> </li> </ul>	



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<p>management's calculation of the retrospective charge and tracing it to invoices raised to Ausconnex.</p> <ul style="list-style-type: none"> <li>Obtained Breach Alerts issued in relation to all Ring-fencing breaches during the reporting period to ascertain whether breaches and issues were appropriately communicated and contained sufficient information about the scenarios that led to the respective breaches.</li> </ul>	
<b>Obligations to not discriminate</b>			
<p>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 electricity service provider in connection with the provision of:</p> <p>i) direct control services by the DNSP (whether</p>	<ul style="list-style-type: none"> <li>Policies and procedures have been established in relation to compliance with Ring-fencing Guideline</li> <li>Ring-fencing Guideline training is provided to staff on an annual basis.</li> <li>Breach and issues are communicated in the business via intranet and newsletter on an ad-hoc basis.</li> <li>Information Sharing</li> </ul>	<ul style="list-style-type: none"> <li>Obtained and reviewed Endeavour Energy's policies and procedures specifically addressing Ring-fencing compliance and reporting to ascertain whether they appropriately included Ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance.</li> <li>Inspected the online training materials and training completion records for the</li> </ul>	<ul style="list-style-type: none"> <li>Annual Ring-fencing compliance refresher training for all Endeavour Energy and Ausconnex staff (Competing Fairly 2020) was last rolled out in October 2020, which is within the 18-month compliance period.</li> </ul> <p>During the compliance period, Endeavour Energy consciously decided to pause the annual online Ring-fencing refresher training in recognition of the significant learning requirements resulting from the implementation of the new ERP in 2021. Management have advised that the next round of Ring-fencing refresher training will be rolled out by 30 June 2022.</p> <ul style="list-style-type: none"> <li>Our inspection and testing of training completion</li> </ul>

Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>to itself or to any other level entity); and/or</p> <p>ii) contestable electricity services by any other legal entity.</p>	<p>Register is maintained and available on the Endeavour Energy website.</p> <ul style="list-style-type: none"> <li>A dedicated ring-fencing email box has remained open to monitor complaints, inquiries, potential breaches, etc.</li> </ul>	<p>period from 1 July 2020 to 31 December 2021 in order to ascertain the completion rate of ring-fencing training during the compliance period. This included comparisons to HR records of new starters during the period.</p>	<p>records showed that 98% of permanent field and office-based staff completed refresher training. Testing identified that 10 employees who had transferred from a temporary to a permanent role following the roll out of Competing Fairly 2020 were not allocated Ring-fencing training during the regulatory period. In addition, 2 graduate roles that commenced post roll out of Competing Fairly 2020 were not allocated Ring-fencing training during the regulatory period.</p>
<p>4.1(c) Without limiting its scope, clause 4.1(b) requires a DNSP to:</p> <p>i) in dealing or offering to deal with a related electricity service provider, treat the related electricity service provider as if it were not a related electricity service provider (that is, as if it had no connection or affiliation with the DNSP);</p> <p>ii) in like circumstances, deal or offer to</p>		<ul style="list-style-type: none"> <li>For a sample of Endeavour employees seconded to Ausconnex, checked that Competing Fairly 2020 training, which includes Ring-fencing requirements has been completed.</li> <li>Obtained Breach Alerts in relation to all Ring-fencing breaches during the reporting period to ascertain whether breaches and issues were appropriately communicated and contained sufficient information about the scenarios that led to the respective breaches.</li> <li>Checked, by comparing to supporting information, that the information sharing, staff sharing and office sharing registers are current and are available on Endeavour Energy’s website.</li> </ul>	<p>We have made some performance improvement recommendations in respect of the scope and monitoring of the Ring-fencing training program. Refer to Appendix B (PIO 3).</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>deal with a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider on substantially the same terms and conditions;</p> <p>iii) in like circumstances, provide substantially the same quality, reliability and timeliness of service to a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider;</p> <p>iv) subject to clause 4.3.3(b), not disclose to a related electricity service provider</p>		<ul style="list-style-type: none"> <li>• Conducted a walkthrough with the Regulatory Assurance team to verify the existence of the ring-fencing mailbox.</li> <li>• Reviewed the log of inquiries and matters raised via the dedicated mailbox to assess the implementation of management’s tracking and reporting process.</li> </ul>	



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>information the DNSP has obtained through its dealings with a competitor (or potential competitor) of the related electricity service provider where the disclosure would, or would be likely to, provide an advantage to the related electricity service provider.</p>			
<p><b>Offices, staff, branding and promotions</b></p>			
<p>4.2.1(a) Subject to this clause 4.2.1, in providing direct control services, a DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.</p>	<ul style="list-style-type: none"> <li>• Policies and procedures have been established in relation to compliance with Ring-fencing Guideline</li> <li>• Ring-fencing guideline training is provided to staff on an annual basis.</li> <li>• Endeavour Energy and Ausconnex are located in separate physical locations, except for the shared office space in</li> </ul>	<ul style="list-style-type: none"> <li>• Inquired with management as to the physical location of Ausconnex sites to check that they are in separate physical locations to Endeavour Energy.</li> <li>• Obtained and inspected a sample of site maps for Endeavour Energy and Ausconnex locations to check that they are in separate physical locations.</li> <li>• Conducted a site visit to the Endeavour Energy Head office</li> </ul>	<ul style="list-style-type: none"> <li>• Based on our observations during our site visits, we have made some performance improvement recommendations in respect of the physical separation. Refer to Appendix B (PIO 4).</li> <li>• Of the three months' physical access reviews selected for testing, no formal evidence of review was able to be produced for one month. Based on reperformance of the control for this month, no inappropriate physical access was identified. For all other months selected for testing, discrepancies were investigated by management and no changes to physical access required as a result. Upon further investigation, no formal evidence of</li> </ul>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
	<p>Glendenning. Endeavour Energy staff located at Glendenning do not have access to electricity information.</p> <ul style="list-style-type: none"> <li>Physical access controls are in place such that Ausconnex staff do not have access to high-risk areas where ring-fenced information is held and used by Endeavour Energy staff.</li> <li>An Office Sharing Register is available on Endeavour Energy's website.</li> </ul>	<p>to check whether physical access controls are in place for sensitive areas, such as data centres.</p> <ul style="list-style-type: none"> <li>Conducted a site visit to the Ausconnex head office to check the physical separation of Endeavour Energy Central Logistics and Ausconnex staff within the office space.</li> <li>Discussed with management to understand the process for restricting physical access to Endeavour Energy sites by Ausconnex employees.</li> <li>Tested the physical access provisioned for a sample of Ausconnex new starters during the period, to check that physical access restrictions were appropriate based on their roles.</li> <li>Selected a sample of three monthly physical access reviews. Where discrepancies were identified by the review, determine whether these were addressed appropriately.</li> <li>Inspected the Endeavour Energy website to check that the Office Sharing Register is readily available, is the most</li> </ul>	<p>the monthly review of physical access was able to be produced for the months of July – October 2021 and December 2021. We recommend that management implement a systematic process for completing and evidencing monthly physical access reviews (PIO 5).</p> <ul style="list-style-type: none"> <li>Training is considered a key control to complying with physical separation requirements in the Ring-fencing Guideline. Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance training.</li> </ul>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		current version and is aligned with the requirements contained within the Ring-fencing Guideline.	
<p>4.2.2(a) Subject to this clause 4.2.2, a DNSP must ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.</p>	<ul style="list-style-type: none"> <li>• Policies and procedures have been established in relation to compliance with Ring-fencing Guideline</li> <li>• Ring-fencing guideline training is provided to staff on an annual basis.</li> <li>• Contractual obligations are included in the Business Support Agreement between Endeavour Energy and Ausconnex to ensure the arrangement of staff sharing complies with the Guideline.</li> <li>• There is segregation of duties between staff involved in the marketing of direct controls and marketing of contestable electricity services by Ausconnex.</li> <li>• A staff sharing register is maintained and reviewed on a quarterly basis and is available on the</li> </ul>	<ul style="list-style-type: none"> <li>• Obtained and read Company Procedure GRG0013 Compliance Reporting and checked the procedure contained principles in relation to staff sharing as per the Ring-Fencing Guideline.</li> <li>• Inspected the Business Support Agreement between Endeavour Energy and Ausconnex to confirm whether staff sharing arrangements contained therein complied with the Guideline.</li> <li>• Inspected the Staff Sharing Register published on the Endeavour Energy website to determine whether it complies with the Ring-fencing Guideline and is up to date.</li> <li>• Enquired of management to understand the process taken to review the Staff Sharing Register on a quarterly basis or as needed due to changes in the organisational structure and/or the Ring-fencing Guideline.</li> <li>• Interviewed management to</li> </ul>	<ul style="list-style-type: none"> <li>• We observed that no formal documentation is maintained to evidence management’s quarterly review of the Staff Sharing Register aside from the final date stamped register published to the Endeavour website. We recommend that management consider formalising the quarterly review to document and evidence steps undertaken to check the completeness and accuracy of the Staff Sharing Register (<b>PIO 6</b>).</li> <li>• Training is considered a key control to complying with staff sharing and separation requirements in the Ring-fencing Guideline. Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance training.</li> </ul>





Compliance requirement	Management Controls	Procedures performed	Observations / findings
	<p>Endeavour Energy website.</p>	<p>understand how job descriptions are maintained and updated during the period.</p> <ul style="list-style-type: none"> <li>Inspected the Classification of Positions documentation to check that all branches are included within the classification. This document includes a colour coding system that enables the categorisation of roles according to the nature of services being provided, access to electricity information, and ability to discriminate.</li> </ul>	
<p>4.2.2(c) The remuneration, incentives and other benefits (financial or otherwise) a DNSP provides to a member of its staff must not give the member of staff an incentive to act in manner that is contrary to the DNSP's obligations under this guideline.</p>	<ul style="list-style-type: none"> <li>Contracts and policies are in place, that explicitly refer to the compliance requirements with relevant company policies, including compliance with Endeavour Energy's confidential information requirements, to ensure staff do not have incentives to act in a manner that is contrary to the DNSP's obligation.</li> </ul>	<ul style="list-style-type: none"> <li>Enquired of management to understand whether standard employment agreements exist and contain standard clauses on incentives and compliance obligations.</li> <li>Obtained and read company procedure GHR7001 Performance Review and Career Planning</li> <li>Inspected the standard contract and at risk incentive/reward schemes, and checked that there are no remuneration, incentives or other benefits (financial or otherwise)</li> </ul>	<p>No issues noted.</p>

Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<p>observed in the contract or at risk incentive/reward schemes to give members of staff an incentive to act in a manner that is contrary to the Ring-fencing Guideline.</p> <ul style="list-style-type: none"> <li>Selected a sample of Ausconnex new starter contracts to check alignment with the obligations of the Ring-fencing Guideline, including an explicit requirement to comply with Endeavour Energy's confidential information requirements.</li> </ul>	
<p>4.2.3(a) 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</p>	<ul style="list-style-type: none"> <li>Endeavour Energy has Advertising and Promotional Materials policies and procedures to control the promotion of the Affiliated Entity's service - Company procedures GMM0003 and GMM0001 and Company Policy 14.1</li> <li>Endeavour Energy Branding is independent and separate from Ausconnex</li> <li>Ring-fencing guideline training is provided to staff on an annual basis.</li> </ul>	<ul style="list-style-type: none"> <li>Inspected Company Procedures GMM0001 and GMM0003 and Company Policy 14.1 to check that the production of communication materials and requirements comply with Ring-fencing Guideline.</li> <li>Accessed Endeavour Energy and Ausconnex websites to check for separate branding and identify any cross advertisement.</li> <li>Remained vigilant during site inspections of the Endeavour Energy and Ausconnex head offices to identify any instances of cross-promotion or branding.</li> </ul>	<p>Except for the breaches reported below, no issues were noted in relation to cross-promotion and branding.</p> <p><b><i>Breaches identified and reported by Endeavour Energy to the AER</i></b></p> <ul style="list-style-type: none"> <li>On 9 July 2020, Staff arrived at an Ausconnex worksite with Endeavour Energy branding on the driver's side door. Management advised that immediate action was taken to rectify the breach and remove the Endeavour Energy branding from the vehicle. Additionally, the General Manager at Ausconnex was notified and requested to introduce daily site monitoring of branding at all Ausconnex sites.</li> <li>On 31 August 2020, Design Safety and Environmental Safety reports prepared on behalf of Ausconnex by shared staff, were completed on Endeavor Energy report forms. Ausconnex have</li> </ul>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>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>iii) must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>		<ul style="list-style-type: none"> <li>• Interviewed Ausconnex staff to understand how shared staff are supported by measures that assist them in complying with the obligations contained under clause 4.2.3 of the Guideline.</li> <li>• Performed specific testing over the cost allocation aspects of corrective measures applied to remediate a breach reported on 31 August 2020 at the AER’s request. This included checking that labour costs for these employees were charged to Ausconnex through time-coding to Ausconnex project codes that are directly billed to Ausconnex on a monthly basis.</li> <li>• Obtained Breach Alerts issued in relation to all Ring-fencing breaches during the reporting period to ascertain whether breaches and issues were appropriately communicated and contained sufficient information about the scenarios that led to the respective breaches.</li> </ul>	<p>since created their own reporting form, that includes Ausconnex entity details. Staff involved were reminded of the requirement to use Ausconnex branded content only.</p> <ul style="list-style-type: none"> <li>• On 19 February 2021, internal audit staff 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. Additional measures were introduced to remediate this branding issue to ensure that all visible branding should be appropriate and comply with the Ring-fencing Guideline.</li> <li>• On 27 May 2021, a LinkedIn post of an Ausconnex employee was identified, where the employee announced his acceptance into an Endeavour Energy leadership program and at the same time thanked Ausconnex team members for their support. The employee was requested to remove the post and management advised this was actioned.</li> <li>• Training is considered a key control to complying with cross-promotion and branding requirements in the Ring-fencing Guideline. Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance training.</li> </ul>
Office and staff registers			

Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>4.2.4(a) A DNSP must establish, maintain and keep a register that identifies:</p> <p>a) the classes of offices to which it has not applied clause 4.2.1(a) by reason of clauses 4.2.1(b)i. or 4.2.1(b)iii.; and</p> <p>b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff to which it has not applied clause 4.2.2(a) by reason of clauses 4.2.2(b)i.a., 4.2.2(b)i.b., 4.2.2(b)iii. or 4.2.2(d);</p> <p>and must make the register publicly available on its website.</p>	<ul style="list-style-type: none"> <li>An Office Sharing Register is maintained and reviewed on a bi-annual basis and is available on Endeavour Energy’s website.</li> <li>A Staff Sharing Register is maintained and reviewed on a quarterly basis and is available on Endeavour Energy’s website.</li> </ul>	<ul style="list-style-type: none"> <li>Inspected the Office Sharing Register on the Endeavour Energy website to check that it complies with the Ring-fencing Guideline and is consistent with our understanding of the Endeavour Energy and Ausconnex physical office locations.</li> <li>Inspected the Staff Sharing Register published on the Endeavour Energy website to determine whether it complies with the Ring-Fencing Guideline and is up to date, including updates required to add the roles of Scheduler and Technical Support Officer identified as a result of the breach reported on 24 February 2021.</li> <li>Enquired of management to understand the process taken to review the Staff Sharing Register on a quarterly basis or as needed due to changes in the organisational structure and/or the Ring-fencing Guideline.</li> <li>Performed specific testing, per the AER’s request, over the cost allocation components of</li> </ul>	<ul style="list-style-type: none"> <li>We observed that no formal documentation is maintained to evidence management’s quarterly review of the Staff Sharing Register aside from the final date stamped register published to the Endeavour website. We recommend that management consider formalising the quarterly review to document and evidence steps undertaken to check the completeness and accuracy of the Staff Sharing Register (PIO 6).</li> </ul> <p><b><i>Breaches identified and reported by Endeavour Energy to the AER</i></b></p> <p>On 24 February 2021, Endeavour Energy reported a breach to the AER in respect of clause 3.2.2(a,b) of the Ring-fencing Guideline. An amendment to the Network Overhead monthly invoice to Ausconnex was made on 1 July 2019. This amendment results in a reduction in the percentage charged to Ausconnex for network labour as part of the Ausconnex monthly Network overhead. Specifically, this meant the role of Scheduler and Technical Support Officer moved from being a corporate network role to a shared services role.</p> <p>The roles were not 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>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<p>the breach. Refer to procedures and findings in section 3.2.2 above.</p> <ul style="list-style-type: none"> <li>Obtained Breach Alerts issued in relation to all Ring-fencing breaches during the reporting period to ascertain whether breaches and issues were appropriately communicated and contained sufficient information about the scenarios that led to the respective breaches.</li> </ul>	
<b>Information access and disclosure</b>			
<p>4.3.2 Subject to this clause 4.3, a DNSP must:</p> <p>a) keep confidential information confidential; and</p> <p>b) <b>only use confidential information for the purpose for which it was acquired or generated.</b></p>	<ul style="list-style-type: none"> <li>Company Procedure GAM1100 Electricity Information Requests</li> <li>User access between Endeavour Energy and Ausconnex is provisioned in accordance with role-based guidelines.</li> <li>Periodic user access reviews are conducted in accordance with Endeavour Energy's Security Calendar to confirm access privileges are in line with current role requirements.</li> <li>A physical access review</li> </ul>	<ul style="list-style-type: none"> <li>Compared Company Procedure GAM1100 Electricity Information Requests to the Ring-Fencing Guideline</li> <li>Tested on a sample basis the information segregations and enforcements in restricting access to:               <ul style="list-style-type: none"> <li>the Ellipse system (through September 2021) and Endeavour Energy confidential information within the SAP system (from October 2021) by Ausconnex staff</li> <li>the TM1 financial system by Ausconnex staff</li> </ul> </li> </ul>	<p><b><i>Breaches identified and reported by Endeavour Energy to the AER during the compliance period</i></b></p> <ul style="list-style-type: none"> <li>On 22 January 2021, 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 resulted in a breach of clause 4.3.2. This information included details of high voltage customers' names and revenue information, prior to his becoming Ausconnex staff.</li> <li>On 16 February 2021, staff working for Ausconnex who 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 by existing ICT monthly user access reviews. This resulted in a breach of clause 4.3.2. The user's access was</li> </ul>

Compliance requirement	Management Controls	Procedures performed	Observations / findings
	<p>is undertaken monthly to confirm access to only those staff that should have physical access to Endeavour Energy sites.</p> <ul style="list-style-type: none"> <li>Ring-fencing guideline training is provided to staff on an annual basis.</li> </ul>	<ul style="list-style-type: none"> <li>Endeavour Energy shared drives by Ausconnex staff</li> </ul> <p>by:</p> <ul style="list-style-type: none"> <li>sampling access provided to Ausconnex new starters (including secondments and transfers from Endeavour Energy) and removal of access for terminations during the regulatory period.</li> <li>sampling periodic user access reviews performed over Ellipse/SAP, TM1 and Endeavour shared drives.</li> </ul> <ul style="list-style-type: none"> <li>Tested the physical access provisioned for a sample of Ausconnex new starters during the period, to check that physical access restrictions were appropriate based on their roles.</li> <li>Selected a sample of three monthly physical access reviews. Where discrepancies were identified by the review, determine whether these were addressed appropriately.</li> <li>Obtained Breach Alerts issued in relation to all Ring-fencing breaches during the reporting</li> </ul>	<p>corrected and appropriately provisioned thereafter.</p> <p><b><i>Other matter identified during testing</i></b></p> <ul style="list-style-type: none"> <li>Our testing of two Endeavour staff seconded to Ausconnex since the introduction of the email archiving measures following the breach reported on 22 January 2021 identified that neither staff's Endeavour emails had been archived. The users' emails have since been archived and deleted and both employees have confirmed to the Regulatory Assurance Team that they did not access their Endeavour emails post transfer to Ausconnex.</li> </ul> <p><b><i>Breaches identified and reported by Endeavour Energy to the AER subsequent to the compliance period</i></b></p> <ul style="list-style-type: none"> <li>Our testing of monthly user access reviews identified that discrepancies and actions required as a result of these reviews to remove Ausconnex employee access to Endeavour Energy shared drives were not actioned in a timely manner. This resulted in a breach of clause 4.3.2. The users' access was corrected on 9 December 2021 and appropriately provisioned thereafter.</li> </ul> <p>Physical access reviews are considered a key control to prevent confidential information breaches. Refer to section 4.2.1(a) above for procedures performed, observations and findings on physical access reviews.</p> <p>Training is considered a key control to prevent confidential information breaches. Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance training.</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<p>period to ascertain whether breaches and issues were appropriately communicated and contained sufficient information about the scenarios that led to the respective breaches.</p>	
<p>4.3.3 A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless an exemption applies.</p>	<ul style="list-style-type: none"> <li>• Company Procedure GAM1100 Electricity Information Requests</li> <li>• Competing Fairly 2020 training modules</li> </ul>	<ul style="list-style-type: none"> <li>• Compared Company Procedure GAM1100 Electricity Information Requests to the Ring-fencing Guideline.</li> <li>• Inspected the content of recent Ring-fencing online training modules to check that the prohibitions around disclosure of confidential information and guidance for the sharing of information were included.</li> </ul>	<p>Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance training.</p> <p>Refer to breaches under clause 4.3.2 above.</p>
<p>4.3.4(a) Subject to clause 4.1(c)iv and to this clause 4.3.4, where a DNSP shares confidential information with a related electricity service provider, or where confidential information that a DNSP has disclosed under clause 4.3.3(f) is then disclosed by any person to a</p>	<ul style="list-style-type: none"> <li>• Company Procedure GAM1100 – Electricity Information Requests</li> </ul>	<ul style="list-style-type: none"> <li>• Compared Company Procedure GAM1100 Electricity Information Requests to the Ring-fencing Guideline.</li> <li>• Inspected Endeavor Energy’s website to confirm whether the Information Sharing Protocol and the Information Sharing Register is published.</li> </ul>	<p><b><i>Breach identified by KPMG and reported by Endeavour Energy to the AER subsequent to the compliance period</i></b></p> <ul style="list-style-type: none"> <li>• The Information Sharing Protocol was not available on the Endeavour Energy website at the time of KPMG’s inspection. Management advised that the Information Sharing Protocol was inadvertently removed from the website on 15 July 2021. At the date of this report the Information Sharing Protocol is available on the Endeavour Energy website.</li> </ul> <p>The Information Sharing Protocol does not clearly prescribe how Ausconnex and other legal entities can apply for access to the confidential information,</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>related electricity service provider of the DNSP, the DNSP must provide access to that confidential information (including the derived information) to other legal entities on an equal basis.</p>			<p>resulting in Endeavour Energy receiving communication from requestors in various forms.</p> <p>We recommend that Endeavour Energy update the Information Sharing Protocol to clearly define the process by which Ausconnex and other legal entities can apply for access to the confidential information (PIO 7).</p>
<p>4.3.4(d) Without limiting clause 4.3.4(a), a DNSP must establish an information sharing protocol that sets how and when it will make the information referred to in clause 4.3.4(a) available to legal entities and must make that protocol publicly available on its website.</p>			
<p>4.3.4(e) Where a DNSP discloses information referred to in clause 4.3.4(a) to any other legal entity under this clause 4.3.4, it must</p>			





Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>do so on terms and conditions that require the other legal entity to comply with clause 4.3.2 and 4.3.3(a) to (d) in relation to that information as if the other legal entity was a DNSP.</p>			
<p>4.3.5(a) A DNSP must establish, maintain and keep a register of all:</p> <ul style="list-style-type: none"> <li>i. related electricity service providers;</li> <li>ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP;</li> </ul> <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>4.3.5(b) For each</p>	<ul style="list-style-type: none"> <li>• Company Procedure GAM1100 – Electricity Information Requests</li> <li>• Information Sharing Register is available on the Endeavour Energy website.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspected Endeavor Energy’s website to confirm whether the Information Sharing Register is published.</li> <li>• Selected a sample of four information requests raised in the ring-fencing mailbox by other legal entities and checked these against the Information Sharing Register to test accuracy of the register.</li> <li>• For each sample selected, inspected supporting documentation to assess the process in place to appropriately record and respond to these on a timely basis.</li> </ul>	<ul style="list-style-type: none"> <li>• Refer to <b>PIO 7</b> above in respect of recommended improvements to the Information Sharing Protocol to more clearly describe how Ausconnex and other legal entities can apply for access to the confidential information that is available to them.</li> <li>• We observed that information requests are received through various communication channels and there is no systematic process for recording, tracking and responding in a timely manner to the requestors.</li> </ul> <p>In all four samples selected for testing, the timeframe from initial request to the date that the information was shared with the requestor was greater than six months. We note that there was no evidence of information requested by or shared with Ausconnex during the regulatory period.</p> <p>Management should consider implementing a systematic process for recording, tracking and responding in a timely manner to the requestors (<b>PIO 8</b>).</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>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> <ul style="list-style-type: none"> <li>i. identify the kind of information requested by the legal entity; and</li> </ul> <p>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>4.3.5(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</p>			



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>required to provide under clause 4.3.4(a), and the DNSP must comply with that request..</p>			
<p><b>Service Providers</b></p>			
<p>4.4.1.(a) A DNSP must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with:</p> <ol style="list-style-type: none"> <li>i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and</li> <li>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP;</li> </ol>	<ul style="list-style-type: none"> <li>• Endeavour Energy enforce third party contractor compliance with the Ring-fencing Guideline through contractual arrangements with third parties.</li> <li>• Endeavour Energy has standard terms and conditions that reflect the requirements of the Ring-fencing Guideline and new or varied contracts that deviate from these standard terms and conditions require approval.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspected the standard contract templates to check whether the terms and conditions included Ring-fencing obligations in accordance with the Guideline.</li> <li>• Held discussions with management to understand the process in place to approve variations to standard contract terms and conditions.</li> <li>• Selected a sample of six new or varied contracts executed during the 18-month period to check for inclusion of Ring-fencing obligations in accordance with the Ring-fencing guideline.</li> </ul>	<ul style="list-style-type: none"> <li>• For all samples selected for testing, we obtained evidence that either:               <ul style="list-style-type: none"> <li>○ the standard terms and conditions were used,</li> <li>○ legal approval was obtained to remove reference to the Ring-fencing obligations, or</li> <li>○ an internal risk assessment has been performed based on the scope of services being provided under the contract that references to Ring-fencing obligations are not required.</li> </ul> </li> </ul> <p>We observed, however, that there is no systematic process for tracking contract deviations from standard terms and conditions nor a formalised process for performing the risk assessment associated with the removal of Ring-fencing obligations from those deviated terms and conditions, including consultation with the Regulatory Assurance team. We recommend that management consider establishing a systematic and formalised process approving the removal of Ring-fencing obligations from third party contract terms and conditions (<b>PIO 9</b>).</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>as if the service provider was the DNSP.</p> <p>4.4.1 (b) A DNSP must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP’s obligations under clause 4 of this Guideline.</p>			
<b>Waivers register</b>			
<p>5.7 a) A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) granted to the DNSP by the AER under clause 5 of this Guideline, and must make the register publicly available on its website.</p>	<ul style="list-style-type: none"> <li>Company Procedure GRG0013– Compliance Reporting for Ring-fencing Guideline.</li> </ul>	<ul style="list-style-type: none"> <li>Inspected Company procedure GRG0013 - Compliance Reporting outlining the waiver process.</li> <li>Held discussions with management to understand the process for periodic review of approved waivers, if any.</li> <li>Performed a search of the AER website to identify any active Endeavour Energy waivers during the reporting period.</li> <li>Performed a search of the Endeavour Energy website for</li> </ul>	<ul style="list-style-type: none"> <li>Endeavour Energy has no active waivers and as a result has not published a waiver register since the 2020 regulatory period.</li> <li>The Endeavour Energy website links to the AER website where past waivers, which are no longer valid, are accessible. Based on the latest AER framework and approach, the services reported by Endeavour Energy as waivers in 2017 have been reclassified as standard control services and are not required to be ring-fenced.</li> </ul> <p>We recommend that Endeavour Energy update their website to explicitly state that there are no current active waivers (<b>PIO 10</b>).</p>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>c) 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>the Waiver Register.</p>	
<b>Maintaining Compliance</b>			
<p>6.1 A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its</p>	<ul style="list-style-type: none"> <li>Company Procedure GRG0013– Compliance Reporting for Ring-fencing Guideline.</li> <li>Annual completion of the</li> </ul>	<ul style="list-style-type: none"> <li>Inspected Company procedure GRG0013 - Compliance Reporting, to check that it outlines requirements for identification, assessment,</li> </ul>	<ul style="list-style-type: none"> <li>The Corporate Compliance System was decommissioned in January 2019 and management is currently investigating alternative solutions. Annual compliance attestations are therefore completed in an excel-based matrix that is maintained by the</li> </ul>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>obligations under this Guideline. The AER may require the DNSP to demonstrate the adequacy of these procedures upon reasonable notice. However, any statement made or assurance given by the AER concerning the adequacy of the DNSP's compliance procedures does not affect the DNSP's obligations under this Guideline.</p>	<p>Ring-fencing Compliance Management Matrix with attestation from relevant executive leadership and management teams.</p> <ul style="list-style-type: none"> <li>Dedicated email box allows internal and external persons to raise questions or concerns regarding ring-fencing compliance.</li> <li>Internal reporting processes and procedures are in place to provide regular updates on the status of Ring-fencing compliance to the Board's Regulatory Committee.</li> <li>Endeavour Energy's Risk Management and Compliance Framework are overseen by the Executive Audit and Risk Committee (EARC) and the Audit and Risk Committee (ARC) of the Board.</li> </ul>	<p>investigation and action to correct any breaches of the Ring-fencing Guideline.</p> <ul style="list-style-type: none"> <li>Inspected the Ring-fencing Compliance Management Matrix to check it was completed annually with executive and management attestations.</li> <li>Conducted a walkthrough with the Regulatory Assurance team to verify the existence of the ring-fencing mailbox.</li> <li>Inspected the log of inquiries and matters raised via the dedicated mailbox to assess the implementation of management's tracking and reporting process.</li> <li>Obtained samples of regular reporting to the Board's Regulatory Committee covering the compliance period, which evidence communication and monitoring of Ring-fencing compliance matters including breaches reported to the AER.</li> <li>Inspected Endeavour Energy's Risk Management and Compliance Framework</li> </ul>	<p>Regulatory Assurance team. We recommend that management consider opportunities to further automate these processes (PIO 11).</p> <ul style="list-style-type: none"> <li>As a result of the number of breaches identified in the current period, we recommend that management consider implementing a targeted compliance testing plan to monitor controls implemented to address previous breaches (PIO 12).</li> </ul>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<b>Compliance Reporting</b>			
<p>6.2.1 a) A DNSP must prepare an annual Ring-fencing compliance report each regulatory year in accordance with this clause 6.2.1, and submit it to the AER in accordance with clause 6.2.2.</p> <p>b) The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:</p> <p>i. the measures the DNSP has taken to ensure compliance with its obligations</p>	<ul style="list-style-type: none"> <li>Endeavour Energy prepares and submits to the AER an annual ring-fencing compliance report that contains information on the measures that Endeavour Energy has taken to comply with its obligations, in accordance with clause 6.2.1 of the Ring-fencing guideline.</li> </ul>	<ul style="list-style-type: none"> <li>Obtained and reviewed Endeavour Energy’s Ring-fencing Annual Compliance Report for the regulatory period from 1 July 2020 to 31 December 2021 to determine whether the report addresses compliance obligations contained under clause 6.2.1 of the Ring-fencing Guideline.</li> </ul>	<ul style="list-style-type: none"> <li>The Endeavour Energy Ring-fencing Annual Compliance Report for the regulatory period from 1 July 2020 to 31 December 2021 addresses the requirements under clause 6.2.1 of the Ring-fencing Guideline.</li> <li>This independent assessment report will be attached to the Endeavour Energy Ring-fencing Annual Compliance Report for the period 1 July 2020 to 31 December 2021.</li> </ul>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>under this Guideline;</p> <p>ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP;</p> <p>iii. all other services 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>d) The annual compliance report must be accompanied</p>			





Compliance requirement	Management Controls	Procedures performed	Observations / findings
<p>by an assessment of compliance by a suitably qualified independent authority.</p> <p>e) Annual compliance reports may be made publicly available by the AER.</p>			
<p>6.3 A DNSP must notify the AER in writing within five business days of becoming aware of a material breach of its obligations under this Guideline. The AER may seek enforcement of this Guideline by a court in the event of any breach of this Guideline by a DNSP, in accordance with the NEL.</p>	<ul style="list-style-type: none"> <li>• Company Procedure GRG0013– Compliance Reporting for Ring-fencing Guideline</li> <li>• Register of reported breaches</li> <li>• Breach Alerts communicated to the business as needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspected Company Procedure GRG0013 - Compliance Reporting for Ring-fencing Guideline that outline the procedure to identify, escalate and report breaches.</li> <li>• Conducted a walkthrough with management to understand the end-to-end process for identifying breaches and ensuring they are included within the register of reported breaches.</li> <li>• Inspected correspondence to the Ring-fencing mailbox to evidence that the mailbox is actively used.</li> <li>• Inspected the Breach Summary</li> </ul>	<ul style="list-style-type: none"> <li>• Refer to the results of specific testing performed over the corrective measures applied to remediate breaches under clauses 3.2.2, 4.2.3 and 4.2.4 above.</li> <li>• In following up on the status of breach remediation activities, we noted:               <ul style="list-style-type: none"> <li>○ The field service centre review planned to address the 19 February 2021 breach was not completed by the original planned timeline (March 2021) as a result of Covid-19 impacts. Management have advised that this is expected to be finalised by September 2022.</li> <li>○ Access to Endeavour Energy emails was not appropriately restricted for two staff seconded post the 22 January 2021 breach. Refer to further discussion of this matter in section 4.3.2 above.</li> </ul> </li> </ul>



Compliance requirement	Management Controls	Procedures performed	Observations / findings
		<p>to confirm the detailed breach management processes and procedures performed by the Regulatory Assurance team.</p> <ul style="list-style-type: none"><li>• Reviewed correspondence related to all breaches identified and reported during the period to check they were reported to AER within the required timeframes (within five business days of becoming aware of a breach of Ring-fencing obligations).</li><li>• For the breaches identified and reported during the period, enquired of management and inspected evidence of measures undertaken to rectify and remediate the breaches in line with the expectations contained within the AER's post-breach notifications.</li></ul>	



## Appendix B: Summary of performance improvement observations

In this section, we present additional details on performance improvement observations in relation Endeavour Energy’s compliance activities for the 18-month regulatory period ended 31 December 2021. This information has been provided at the request of the AER.

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our opinion or conclusion reported in the Independent Reasonable Assurance Report.

KPMG has discussed the PIOs below with Endeavour Energy management. Endeavour Energy has advised that it acknowledges the findings below and is committed to efficiently meeting its ring-fencing obligations. Therefore, the observations and PIOs below will be given the requisite attention upon broader consultation with specific functional areas of the business.

Ref.	Clause	Observations	Recommended improvement opportunities
<b>PIO 1</b>	Various	<p>The following company policy documents had not been reviewed within the timeframes specified in the documents:</p> <ul style="list-style-type: none"> <li>GMM0001- <i>Producing Advertisements, Communication and Promotional Materials (last review date January 2017)</i></li> <li>Company Policy 14.1- <i>Advertising, Communication and Promotional Materials (last review date January 2018)</i></li> <li>GMM0003 – <i>Purchase, Use and Issue of Branded Promotional Products (last review date August 2017)</i></li> <li>GAM1100 – <i>Electricity Information Requests (last review date December 2017)</i></li> </ul> <p>As a result, several of the documents above still reference the Ring-fencing Guideline 2016 (v1). In addition, we noted that GRG0013 Compliance Reporting for Ring-Fencing Guideline refers to an October annual reporting period and does not specify the version of the Ring-fencing Guideline with which the company is currently complying.</p>	<p>We recommend all of the documents above are reviewed in conjunction with the adoption of the Ring-fencing Guideline 2021 (v3) during the 2022 regulatory compliance period.</p>
<b>PIO 2</b>	3.2.1 (a) 3.2.2 (a)	<p>The Accounting for Ausconnex internal procedure document refers to Ellipse (Endeavour Energy’s ERP from 1 July 2020 to 30 September 2021) and Xero (Ausconnex’s separate accounting system from 1 July 2020 to 30 September 2021).</p>	<p>Whilst both the Accounting for Ausconnex internal procedure document and the CAM document remain relevant at a principle level, the documents should be updated to reflect the use of the SAP accounting system</p>



Ref.	Clause	Observations	Recommended improvement opportunities
		The approved CAM document refers to Ellipse (Endeavour Energy's ERP from 1 July 2020 to 30 September 2021) and related financial controls within that system.	and be made specific to post-ERP implementation process controls.
<b>PIO 3</b>	4.1 (b) and (c)	Since the previous round of annual Ring-fencing training, there have been several reported breaches with impacts across clauses 3.2.2 (a), 4.2.3 (a), 4.2.4, 4.3.2 and 4.3.4.	<p>Training contents should be updated to include scenario-based learnings that highlight the root causes of these breaches and resulting impacts to staff involved and Endeavour Energy's compliance with the Ring-fencing Guideline.</p> <p>In addition, management should consider taking a targeted, risk-based approach to training, including consideration of:</p> <ul style="list-style-type: none"> <li>• tailoring training modules and contents to specific audiences based on employee roles</li> <li>• extending training requirements to at-risk contractors, targeted around specific direct control services and breach scenarios.</li> <li>• aligning training completion monitoring activities to the revised population of impacted staff and contractors.</li> </ul>
<b>PIO 4</b>	4.2.1 (a)	Based on our site visits to the Glendenning and Huntingwood offices, we made observations and recommendations as detailed to the right.	<p>Based on our site visits to the Glendenning and Huntingwood offices, we recommend that management continue:</p> <ul style="list-style-type: none"> <li>• monitoring the Glendenning shared office arrangement for appropriateness</li> <li>• consider implementing a formal site risk assessment process on at least an annual basis, which includes consideration of physical site layouts, shared staff arrangements and history of breaches</li> <li>• consider incorporating elements such as visual</li> </ul>

Ref.	Clause	Observations	Recommended improvement opportunities
			<p>aids (e.g. posters) with messaging on the practical 'dos and don'ts' in common access areas to remind employees of the physical separation requirements in the Ring-fencing Guideline.</p> <p>In addition, we understand that management is in the process of identifying and relocating to a new head office location. We recommend that, as part of this process, management consider how to appropriately restrict access to higher risk areas and employees that have access to confidential information in an open plan work environment.</p>
<b>PIO 5</b>	4.2.1(a)	We observed that no formal evidence of the monthly review of physical access was able to be produced for the months of July – October 2021 and December 2021.	We recommend that management implement a systematic process for completing and evidencing monthly physical access reviews.
<b>PIO 6</b>	4.2.2(a)	We observed that no formal documentation is maintained to evidence management's quarterly review of the Staff Sharing Register aside from the final date stamped register published to the Endeavour website.	We recommend that management consider formalising the quarterly review to document and evidence steps undertaken to check the completeness and accuracy of the Staff Sharing Register.
<b>PIO 7</b>	4.3.4(d)	The Information Sharing Protocol does not clearly prescribe how Ausconnex and other legal entities can apply for access to the confidential information, resulting in Endeavour Energy receiving communication from requestors in various forms.	We recommend that Endeavour Energy update the Information Sharing Protocol to clearly define the process by which Ausconnex and other legal entities can apply for access to the confidential information.
<b>PIO 8</b>	4.3.5(a)	<p>We observed that information requests are received through various communication channels and there is no systematic process for recording, tracking and responding in a timely manner to the requestors.</p> <p>In all four samples selected for testing, the timeframe from initial request to the date that the information was shared with the requestor was greater than six months. We note that there was no evidence of information requested by or shared with Ausconnex during the regulatory period.</p>	Management should consider implementing a systematic process for recording, tracking and responding in a timely manner to the requestors.
<b>PIO 9</b>	4.4.1(a)	We observed that there is no systematic process for tracking contract deviations from standard terms and conditions nor a	We recommend that management consider establishing a systematic and formalised process approving the removal



Ref.	Clause	Observations	Recommended improvement opportunities
		formalised process for performing the risk assessment associated with the removal of Ring-fencing obligations from those deviated terms and conditions, including consultation with the Regulatory Assurance team.	of Ring-fencing obligations from third party contract terms and conditions.
<b>PIO 10</b>	5.7	Although there are no active waivers in place for Endeavour Energy, the waiver register has not been published on the website, explicitly disclosing that they have no active waivers in place.	Management should consider providing clear disclosure on its website to reflect that there were no active waivers.
<b>PIO 11</b>	6.1	Annual compliance attestations and the monitoring of potential and reported breaches are undertaken and recorded manually via a combination of email communication and Microsoft Excel worksheets.	We recommend that management consider opportunities to further automate these processes.
<b>PIO 12</b>		Endeavour Energy and KPMG identified a number of breaches associated with the period from 1 July 2020 to 31 December 2021.	As a result of the number of breaches identified in the current period, we recommend that management consider implementing a targeted compliance testing plan to monitor controls implemented to address previous breaches.