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# Electricity Distribution Ring-Fencing Guideline

## 2019 Annual Compliance Report

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## 1 Executive Summary

This document is AusNet Services' Annual Compliance Report (**Report**) as per the reporting requirements outlined in the Australian Energy Regulator's (AER) Ring-fencing Guideline for Electricity Distribution (**Guideline**).

As per reporting requirements in the Guideline, this report has been assessed by an independent authority Ernst & Young. A copy of their *Assessment of Compliance* accompanies this document.

This Report contains detail on the four (4) reporting requirements as per the Reporting obligation (cl 6.1) in the Guideline. The table below summarises AusNet Services compliance statement towards these requirements.

Report Requirement	AusNet Electricity Service's Summary Statement
<b>Measures to Ensure Compliance</b>	<p>We have a strong ring-fencing compliance culture, which supports and underpins, the specific requirements in our Compliance Program and consistently ensures all relevant considerations are appropriately considered.</p> <p>The rollout of mandatory training to all employees (previously, only staff identified as being directly impacted were trained in ring-fencing compliance) has enhanced this and is evidenced by business owners, other key staff and stakeholders, actively considering and engaging legal, compliance and regulatory teams to assess and further understand how Ring-fencing implications, in varied circumstances and scenarios, apply in practice.</p> <p>The specific regulatory requirements continue to be monitored as part of the corporate compliance's attestation process.</p>
<b>Breaches of the Guideline</b>	<p>Breach management process exists to manage and treat potential or actual breaches.</p> <p>During 2019 three potential breaches were reported to management.</p> <p>These were investigated by management and compliance via the breach reporting process and found to not be actual breaches of the guideline.</p> <p>For transparency, AusNet Services has provided a summary of the reported incidents in this annual report and for auditor assessment.</p>
<b>Other Services Provided</b>	<p>AusNet Services (DNSP) does not deliver other services, other than other approved as per its waivers.</p> <p>Both waivers are due to expire in 2020.</p>
<b>Purpose of Transactions between DNSP and affiliated entities</b>	<p>Data produced and verified by the finance team and external auditors satisfies that AusNet Services has applied its Cost Allocation Methodology (CAM) to prevent cross subsidies.</p>

## 2 Background Information

### 2.1 The Guideline's purpose

The Australian Energy Regulator's (**AER**) Ring-fencing Guideline (**Guideline**) for Electricity Distribution aims 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 (i.e. prevent cross-subsidisation and discrimination); and
- promote competition in the provision of contestable electricity services.

The Guideline became effective in December 2016. A transition period applied for “existing services” and DNSPs were required to comply as soon as reasonably practical and no later than 1 January 2018. In 2018, AusNet Services submitted its first compliance report based on the transitional period and was found to be compliant with the requirements of the Guideline.

### 2.2 Purpose of this Report

This document delivers AusNet Services 3<sup>rd</sup> Annual Compliance report for compliance to the guideline during the 2019 regulatory year<sup>1</sup>.

Clause 6.1 of the Guideline requires that AusNet Services must establish and maintain appropriate internal procedures to ensure it complies with its obligations under the Guideline. Additionally, AusNet Services may be required to demonstrate the adequacy of these procedures.

This report has been structured in line with the reporting obligation and identifies and describes for the regulatory year:

- i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline as well as examples of ‘good practice’; (see section 4.1 and 4.2);
- ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP (see section 4.3);
- iii. all other services provided by the DNSP in accordance with clause 3.1 (see section 4.4); and
- iv. the purpose of all transactions between the DNSP and an affiliated entity (see section 4.5).

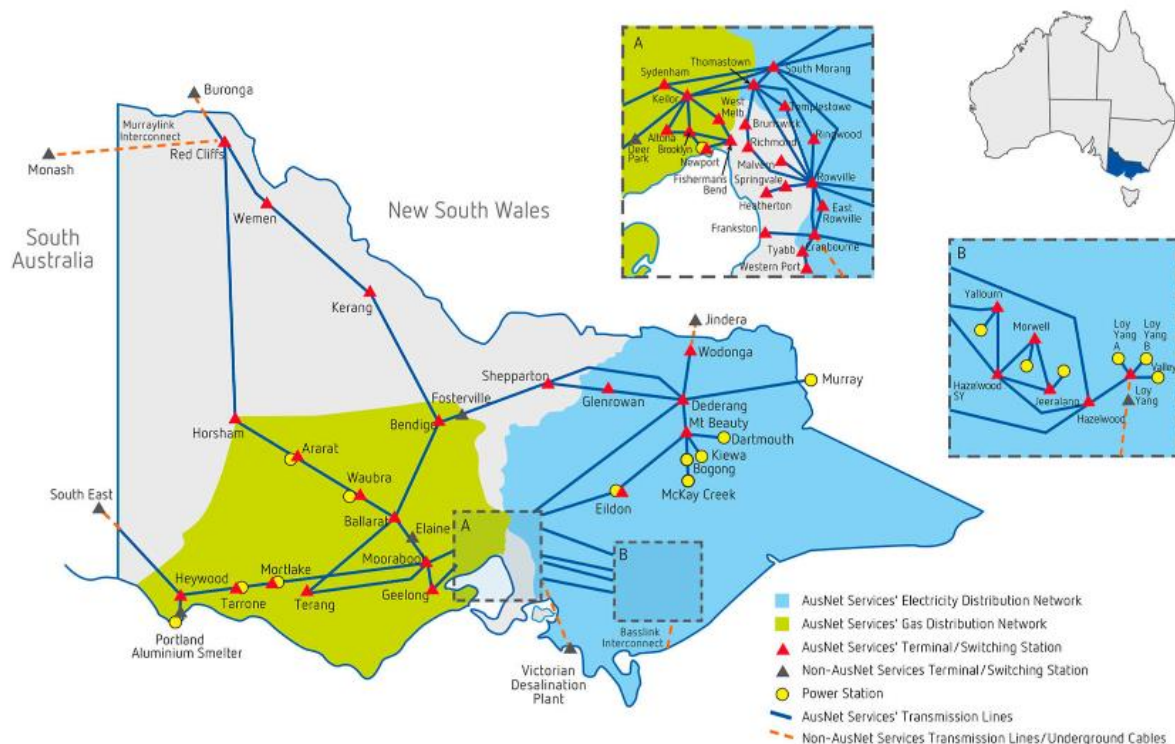
The Assessment of Compliance by a suitably qualified independent authority (Ernst & Young) accompanies this report.

<sup>1</sup> AusNet Services Regulatory Year, 1 January to 31 December

### 3 About AusNet Services

#### 3.1 Assets

AusNet Services owns and operates the Victorian electricity transmission network, one of five electricity distribution networks, and one of three gas distribution networks in Victoria. These are all regulated assets. In terms of our Electricity Distribution Networks, we own and operate the poles and wires that supply electricity to more than 740,000 customers in Melbourne's north, east and across eastern Victoria. (Refer to **Figure 1**).



**Figure 1 \_ AusNet Services assets**

The commercial business of AusNet Services, Mondo (Mondo Power Pty Ltd, ABN 73 097 962 395), provides a range of energy and infrastructure products and services to business, government, communities and households.

Services provided by Mondo include metering, asset intelligence, telecommunication solutions and advanced energy management solutions that enable community energy hubs and solar mini grids.

#### 3.2 Corporate Ownership and Structure

AusNet Services is 31.1 per cent owned by Singapore Power, 19.9 per cent owned by State Grid of China and 49 per cent publicly owned (it is listed on the Australian Securities Exchange (ASX)).

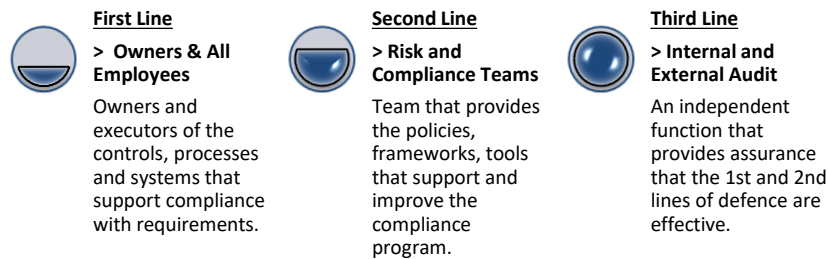
AusNet Services' business structure consists of our commercial and regulated businesses and the support functions to facilitate the core operations of the business. The Company is managed and overseen by our Executive Leadership Team and the AusNet Services Board of Directors.

## 4 Annual Compliance Report

### 4.1 Measure to ensure compliance

Sub-clause 6.2.1(b)i requires to report on *"the measures the DNSP has taken to ensure compliance with its obligations under this Guideline."*

AusNet Services utilises a '3 lines of defence' approach to compliance management.<sup>2</sup>



**Figure 2: 3 lines of defence approach**

In terms of compliance to the Guideline, the owners of the controls ("Responsible Persons" typically managers within the operational area that are responsible for obligation adherence) ensure adequate processes, systems and controls are in place that ensure compliance or detect when a non-compliance occurs or may occur (first line).

The monitoring and internal reporting of compliance adherence is generally performed by the Compliance Team (second line). Responsible Persons annually report the status of compliance, and whether a breach has occurred, to the obligations via a Compliance Management System (Enablon). Responses are reviewed by the Compliance team to ensure the responses demonstrate controls are in place and implemented in operations.

In terms of third line defence, any independent assessment of compliance adherence provides additional assurance of the effectiveness of the Compliance Framework.

In the appendix is a range of supplementary evidence that demonstrates compliance measures performed in 2019.

**Appendix 1:** Controls implemented as per Ring-fencing obligations. These have been assessed in terms of AusNet Services application and adherence to the Guideline.

**Appendix 2:** Additional information about AusNet Services' Compliance Management framework and approach.

**Appendix 3:** A summary of Ring-fencing compliance attestation results completed in 2019 (second line of defence).

**Appendix 4:** An update on AusNet Services' status on items identified as opportunities in our previous report or requests from the AER.

<sup>2</sup> Source, AusNet Services Compliance Policy and Framework

## Annual Ring-fencing Compliance Report – 2019

### 4.2 Ring-fencing good practice examples

#### Connections

In the 2019 Regulatory year, the AusNet Electricity Services team received 57 connection requests to the Distribution Network. There were none from Mondo. This demonstrates there has been no bias towards our contestable service provider and that there is increasing competition in the provision of contestable electricity services.

#### Engagement with legal, regulatory and compliance teams

During 2019, staff regularly engaged with Legal, Regulatory and/or Compliance teams regarding certain questions and initiatives to ensure compliance with Ring-fencing requirements. The engagement of these specialised teams has provided encouragement and assurance that staff are aware of Ring-fencing requirements, well versed in being able to identify potential issues or concerns and take an active role in ensuring compliance with regulations.

For instance, a compliance plan for the DER Marketplace project has been developed to assist business owners to understand compliance obligations and provide additional assurance and methods to monitor compliance during this 3-year project.

#### Trials with Contestable Electricity Services Providers

As part of the regulated energy service business endeavours in the network innovation area, and specifically within technology solution trials and pilot projects, numerous opportunities to work with various players in the contestable environment occurred during 2019.

These included the following:

- [REDACTED] (MaGS project)
- [REDACTED] (Commonwealth Grant Funding Proposal)
- [REDACTED] (EV charging management proposal)
- [REDACTED] (Network Support Clyde North project - feasibility works)
- [REDACTED] Energy (Commonwealth Grant Funding Proposal)
- [REDACTED] (EV charging management proposal)
- [REDACTED] (ARENA Proposal)
- [REDACTED] (provision of ODINN support)
- [REDACTED] (Transformer monitoring pilot)
- [REDACTED] (UTS Networks Renewed project, Euroa Microgrid Project, DER Marketplace)
- [REDACTED] (Mooroolbark 2.0 project)
- [REDACTED] Engineered Solutions (Mooroolbark 2.0 project)
- [REDACTED] (Good Grid project)
- [REDACTED] ARENA Proposal)
- [REDACTED] (ARENA Proposal)
- [REDACTED] (ARENA Proposal)
- [REDACTED] (ARENA proposal)
- [REDACTED] (Network hosting capacity project)

### 4.3 Breaches

Under clause 6.2.1(b)ii any breaches of the Guideline by the DNSP must be reported in the annual compliance report. This means that any material breaches already reported to the AER, and any breaches not already reported to the AER<sup>3</sup> during the regulatory year.

During the 2019 regulatory year, 3 potential breaches were reported and investigated by the compliance team.

<sup>3</sup> Material breaches to be reported within 5 business days as per clause 6.3

## Annual Ring-fencing Compliance Report – 2019

Once a breach is reported, the compliance team assess what potential obligation has been contravened based on the information available at the time they are notified of the potential breach. The compliance team will seek additional information from business owners to determine if in fact AusNet Services breached its obligations, the nature and impact of the (potential) breach and what remediation activities have occurred or are planned. The details of this will be logged in the GRC system (Enablon) and if the breach has an immediate reporting notification requirement, compliance will prepare communications for Senior Leadership and the relevant regulator (using prescribed reporting templates).

A summary of the potential breaches is provided below. They were found not to be breaches (therefore not reportable). They did however serve as a mechanism to enhance training and other controls regarding ring-fencing compliance. These events also provided comfort that AusNet Services employees are cognisant of ring-fencing requirements and their responsibilities in notifying management of actual or potential breaches.

The nature of the potential breaches involved:

- 1- Staff sharing register:** A staff member reported that a Mondo employee accessed an AusNet Services floor and was not on the shared staff register. The compliance team investigated the reported breach and identified that the staff member was part of the Health and Safety team within human resources (categorised as a staff member that falls under 4.2.2(b)i(c) and therefore not required to be listed on the Staff Sharing Register as per 4.2.4(b).
- 2- Cost allocation:** A regular review process identified that indirect costs such as storage and transportation for poles used by Mondo (for customer projects) but purchased by AusNet Services, were not accounted for. Amounts were journalled to correct this. Given this was identified and corrected as part of the review process prior to submission of financial records (i.e. the issue was identified through an established detective control) it was not deemed a breach. AusNet Services did however use this as a mechanism to remind staff of the correct process to undertake to prevent errors like this occurring in the future.
- 3- Conduct of Service Provider:** An internal review found that some new and varied agreements did not contain the ring-fencing clauses. Upon interrogation of the contracts it was found that the agreements did not relate to electricity distribution services therefore the ring-fencing clauses were not applicable.

### 4.4 Other services

In accordance with 6.2.1(b)iii, AusNet Services is required to include in its Report “all **other services** provided by the **DNSP** in accordance with clause 3.1”.

Clause 3.1 of the Guideline sets out the specific circumstances under which DNSPs can provide ‘other services’ without breaching the Guideline. Specifically, the provision of ‘other services’ is subject to the granting of ring-fencing obligation waivers by the AER (clause 3.1(d)vi).

During 2019 AusNet Electricity Services (the DNSP), continued to deliver ‘other services’ to customers as per its two granted waivers.

A summary of the waivers and expiry is produced below for this report. This information is available on AusNet Services Waiver register, which is published on AusNet Services website<sup>4</sup> as per clause 5.7.

<sup>4</sup> <https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance>



## Annual Ring-fencing Compliance Report – 2019

Waiver	Expiry
Provision of electricity services at Mt Baw Baw (service arrangements have been in place since 1997).	15 May 2020
From its obligations under clauses 3.1, 4.2.1, 4.2.2 and 4.2.3, which enable AusNet Services to continue to provide the following activities (classified as Negotiated Services or Unclassified Services in the current applicable AER service classification): <ul style="list-style-type: none"> <li>• Public Lighting and watchmen lights (includes installation of new public and watchman lights; alteration and relocation of distributor public lighting assets, repair and maintenance of watchman lights)</li> <li>• Reserve feeder construction</li> <li>• Emergency recoverable works</li> </ul>	31 December 2020

### 4.5 Transactions with affiliated entities

Sub-Clause 6.2.1(b)iv of the Guideline requires that distributors report on the purpose of all transactions between them and their affiliated entities.

The schedule of 'purpose of transactions' is provided in **Appendix 5**.

### 4.6 Independent Assessment

AusNet Services engaged Ernst and Young to provide an independent Assessment of Compliance based on AusNet Services 2019 Annual Compliance report.

AusNet Services' management comments in relation to any recommendations and findings by Ernst and Young are included in the final assessment report provided to the AER.

Annual Ring-fencing Compliance Report – 2019

Appendix 1: Obligation and Controls Table

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
Ring-fencing Policy	Preventative	<p>This policy:</p> <ul style="list-style-type: none"> <li>explains how AusNet Services ensures that the AER's Electricity Distribution Ring-fencing Guideline is complied with and managed within the business; and</li> <li>applies to all employees, contractors and suppliers working for AusNet Services.</li> </ul> <p>The policy represents a single reference guide for our compliance approach and training of staff on their obligations.</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Online Training Module	Preventative	A Ring-fencing Training module is available for all employees.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dedicated Ring-fencing knowledge page	Preventative	Complements the training. A dedicated page on the intranet has been established to house information, quick reference guides and checklist tools all AusNet Services staff can access to help with Ring-fencing Compliance items. The page is maintained between the Central Compliance Team	P	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

**Annual Ring-fencing Compliance Report – 2019**

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
		and Ring-fencing compliance officer (who is embedded within the Regulated business)														
<b>Dedicated email address</b>	Detective	Dedicated internal email address for members of the Regulation and Compliance team to address any ring-fencing queries raised by staff and or regulators.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Compliance Attestations</b>	Detective	Obligation Owners periodically attest to the Compliance status of their obligations, including whether or not a breach has occurred during the reporting period.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Breach Management</b>	Corrective	AusNet Services' Ring-fencing policy and Compliance Policy and Frameworks accounts for responsibilities in managing any breach (Ring-fencing requirements included).	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Ring-fencing Compliance Report Schedule/Plan</b>	Preventative	A document established that outlines the key dates and tasks to prepare AusNet Services annual compliance report.														✓

**Annual Ring-fencing Compliance Report – 2019**

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
<b>Independent Assessment of Compliance</b>	Detective	AusNet Services engages an independent authority (as per requirements of cl 6) to validate its Annual Compliance Report.  This activity also serves as a mechanism to detect any potential non-compliances.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Site Separation</b>	Preventative	Access controls in place for contestable staff in that they cannot access areas involved in direct control services.						✓	✓							
<b>System Access Change</b>	Preventative	Users associated with the provision of Contestable Electricity Services were removed from systems that stored distribution network information.									✓	✓	✓			

Annual Ring-fencing Compliance Report – 2019

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
Financial Procedures	Preventative	<p>The key preventative controls include:</p> <ul style="list-style-type: none"> <li>• The creation of an accounting policy for Transactions with Affiliated Entities This policy outlines the requirement to record financial transactions in the correct legal entity and how financial information for different types of services are collated within the DNSP. It also details how financial items are correctly allocated as well as how intercompany transactions are to be separately recorded within each legal entity;</li> <li>• Removal of access within our project system module for relevant staff to prevent them from setting up prohibited projects under the DNSP legal entity; and</li> <li>• Removal of access within our indirect cost allocation system for relevant staff to prevent the ability to allocate unregulated or prohibited costs to the DNSP legal entity</li> </ul>		✓	✓											

Annual Ring-fencing Compliance Report – 2019

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
<b>Master Services Agreement</b>	Preventative	AusNet Services Master Services Agreements (MSAs) with affiliated entities provides inputs to its regulated services. These include Statements of Work (SOW) to apply for services in place at the time ring-fencing commenced. Any additional services provided by an affiliate would be subject to separate negotiation. The MSAs provide a basis for ensuring compliant financial transactions between the entities.					✓				✓	✓	✓			
<b>Staff Sharing Register and Staff Sharing Check List tool</b>	Preventative	This is a public register of the nature of staff positions being shared.								✓						
<b>AusNet Corporate Structure</b>	Preventative	Illustrates the legal separation of AusNet services groups. This is monitored and maintained by the Corporate secretary as it relates to various corporate governance requirements.	✓													
<b>Information Sharing Protocol</b>	Preventative	Published on Web. This is an established protocol to govern this process and publish a register setting out the kind of information sought by any entity, and to add entities to the register if they										✓	✓	✓		✓

Annual Ring-fencing Compliance Report – 2019

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
		wish to receive similar information from the DNSP.														
<b>Financial Reporting and Reviews</b>	Detective	<p>Financial reviews are undertaken throughout the year to ensure compliance with the accounting requirements of the guideline. In particular:</p> <ul style="list-style-type: none"> <li>The results of the indirect cost allocation process are reviewed monthly by the finance team to ensure that costs have been appropriately allocated and that significant variances or movements compared to previous periods are understood</li> <li>The profit and loss of the DNSP is reviewed regularly throughout the year to ensure that only appropriate costs and revenues are recognised and that no prohibited services are being provided. In addition, a more thorough review is performed as part of the preparation of the annual regulatory accounts, which are subject to independent audit</li> <li>Controls are in place to identify and notify the finance</li> </ul>		✓	✓											

**Annual Ring-fencing Compliance Report – 2019**

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
		team of related party transactions that have occurred to ensure that they are adequately disclosed in our statutory financial statements and regulatory accounts.														
<b>Waiver register</b>	Preventative	This is the public register of the granted waivers													✓	



## **Appendix 2: Supplementary Compliance Management Information**

AusNet Services maintains a compliance policy and framework that is managed by the Governance Division and aligns with compliance standard AS/ISO 19600:2015.

The effectiveness of the compliance policy & framework is overseen by the Board's Audit & Risk Management Committee (ARMC). The effectiveness of the policy and framework is also subject to periodic audit by external regulators and auditors.

The Governance Division also provides a range of compliance awareness training, advisory and assurance services.

Obligations are identified, recorded and assigned to 'responsible persons' in a centralised database.

Responsible Persons ensure that these obligations are appropriately embedded in business activities including policies, processes, procedures, systems and tasks.

AusNet Services adopts a risk-based approach to compliance monitoring and assurance with Responsible Persons periodically attesting to the state of compliance. The attestations and supporting evidence provided by Responsible Persons is independently reviewed by the Governance Division from a quality perspective and where appropriate clarification of responses is sought.

Processes also exist for employees, including contractors, to report potential regulatory breaches at any time.

Where applicable the Governance Division ensures that breaches are reported to the relevant agency/ regulator within prescribed timeframes and monitors delivery of corrective actions.

The Governance Division also provides confidential compliance papers to the ARMC on a bi-annual basis.

## Annual Ring-fencing Compliance Report – 2019

### Appendix 3: Attestation Results

Clauses	Task Status	Start Date	Due Date	Requirement Captured?	Organisational Unit	Task Owner(s)
Compliance reporting	In Progress	31/03/2020 0:00	<b>30/04/2020 0:00</b>		Compliance	████████
Waivers	Completed	1/01/2020 0:00	31/01/2020 0:00	No	Economic Regulation	████████
Obligation to not discriminate	Completed	1/01/2020 0:00	31/01/2020 0:00	Yes	Elec. Distribution Business	████████
Protection of confidential information	Completed	1/01/2020 0:00	31/01/2020 0:00	Yes	Elec. Distribution Business	████████
Disclosure of information	Completed	1/01/2020 0:00	31/01/2020 0:00	Yes	Elec. Distribution Business	████████
Sharing of information & Information register	Completed	1/01/2020 0:00	31/01/2020 0:00	Yes	Elec. Distribution Business	████████
Branding and cross-promotion	Completed	30/12/2019 0:00	29/01/2020 0:00	Yes	External Communications	████████
Establish and maintain accounts	Completed	30/12/2019 0:00	29/01/2020 0:00	Yes	RES Finance Partners - RES consolidated	████████
Physical separation/co-location	Completed	20/11/2019 0:00	20/12/2019 0:00	Yes	Building Services	████████
Physical separation/co-location	Completed	20/11/2019 0:00	20/12/2019 0:00	Yes	People & Change	████████
Staff Sharing	Completed	20/11/2019 0:00	20/12/2019 0:00	Yes	Payroll & HR Services	████████

## Annual Ring-fencing Compliance Report – 2019

Clauses	Task Status	Start Date	Due Date	Requirement Captured?	Organisational Unit	Task Owner(s)
Office and staff registers	Completed	20/11/2019 0:00	20/12/2019 0:00	Yes	Payroll & HR Services	████████
Ringfencing: New and Varied Agreements with Service providers	Completed	31/10/2019 0:00	30/11/2019 0:00	Yes	Procurement	██████████
Branding and cross-promotion	Completed	29/09/2019 0:00	29/10/2019 0:00	Yes	External Communications	██████████
Establish and maintain accounts	Completed	29/10/2019 0:00	29/10/2019 0:00	Yes	RES Finance Partners - RES consolidated	██████████
Branding and cross-promotion	Completed	29/06/2019 0:00	29/07/2019 0:00	Yes	External Communications	██████████
Waivers	Completed	29/06/2019 0:00	29/07/2019 0:00	No	Regulatory Frameworks	██████████
Compliance reporting	Completed	29/06/2019 0:00	29/07/2019 0:00	Yes	Regulatory Frameworks	██████████
Establish and maintain accounts	Completed	29/06/2019 0:00	29/07/2019 0:00	Yes	RES Finance Partners - RES consolidated	██████████
Compliance reporting	Completed	1/01/2018 0:00	30/04/2019 0:00	Yes	Resilience & Compliance	██████████
Compliance reporting	Completed	31/03/2019 0:00	30/04/2019 0:00	Yes	Resilience & Compliance	██████████
Branding and cross-promotion	Completed	30/03/2019 0:00	29/04/2019 0:00	Yes	External Communications	██████████
Waivers	Completed	30/03/2019 0:00	29/04/2019 0:00	No	Regulatory Frameworks	██████████

## Annual Ring-fencing Compliance Report – 2019

Clauses	Task Status	Start Date	Due Date	Requirement Captured?	Organisational Unit	Task Owner(s)
Compliance reporting	Completed	30/03/2019 0:00	29/04/2019 0:00	Yes	Regulatory Frameworks	██████████
Establish and maintain accounts	Completed	30/03/2019 0:00	29/04/2019 0:00	Yes	RES Finance Partners - RES consolidated	██████████
Obligation to not discriminate	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Elec. Distribution Business	██████████
Physical separation/co-location	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	People & Change	██████████
Staff Sharing	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	People & Change	██████████
Branding and cross-promotion	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	External Communications	██████████
Office and staff registers	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	People & Change	██████████
Protection of confidential information	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Elec. Distribution Business	██████████
Disclosure of information	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Elec. Distribution Business	██████████
Sharing of information & Information register	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Elec. Distribution Business	██████████
Service providers	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Procurement	██████████
Waivers	Completed	30/12/2018 0:00	29/01/2019 0:00	No	Regulatory Frameworks	██████████

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**Annual Ring-fencing Compliance Report – 2019**

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Clauses	Task Status	Start Date	Due Date	Requirement Captured?	Organisational Unit	Task Owner(s)
Compliance reporting	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Regulatory Frameworks	██████████
Establish and maintain accounts	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	RES Finance Partners - RES consolidated	██████████

## Appendix 4: Progress on actions noted in previous report

Based on AusNet Services' 2018 report submission, the AER wrote to AusNet Services regarding actions the AER would further comment or analysis. AusNet Services response on 5 July resolved a number of these items (as confirmed by a letter provided by the AER dated 6 August 2019).

Guideline Obligation	AER's feedback and questions	AusNet Services' response on July 5 2019	Status
<b>Physical separation/co-location</b>	<p>We have concerns regarding the approach to physical separation outlined in AusNet Services' compliance report. We consider that the sharing of common amenities (e.g. kitchen areas) is not be consistent with the Guideline's objectives to functionally separate provision of direct control services by DNSPs from provision of other service by related electricity service providers (RESPs). We are considering amending the Guideline in the future to make the definition of 'office' more precise.</p> <p>We support AusNet Services' commitment that it will take the AER's views on shared amenities into account in any new lease or site arrangements. We also note that AusNet has stated that there is no risk of discrimination because of the roles that staff in the Beaconsfield office perform.</p> <p><i>Please provide the following additional information:</i></p> <p>☐ A description of the roles that DNSP and Mondo staff perform at the Beaconsfield office and an analysis of any possible areas where DNSP staff roles could provide a discriminatory advantage to Mondo staff.</p> <p>☐ Measures in place to prevent sharing of electricity information by DNSP staff due to close physical proximity with Mondo staff.</p> <p>Separately, we support AusNet Services commitment, in response to Deloitte's report, to: (1) establish a check list for hiring managers as a prompt to review access passes, and;</p>	<p>Please see page 7 for the detail of this analysis.</p> <p>We applied our risk assessment matrix to inform this analysis. This involved considering the likelihood of discriminatory activities, potential consequences if discrimination occurred and current control effectiveness.</p> <p>In summary the analysis concludes:</p> <ul style="list-style-type: none"> <li>- Employees within the AusNet Services office space do have access to confidential information (i.e. based on access to systems they need to perform their duties).</li> <li>- The current controls in place are highly or substantially effective.</li> <li>- Mondo being able to gain a competitive advantage, given the nature of roles, duties and controls in place at the Beaconsfield premises, is deemed 'unlikely'.</li> </ul>	<b>Resolved as per response provided to the AER on 5 July 2019</b>

## Annual Ring-fencing Compliance Report – 2019

Guideline Obligation	AER's feedback and questions	AusNet Services' response on July 5 2019	Status
	(2) perform annual site access reviews. We expect to see evidence that this has been implemented in next year's compliance reporting.		
<b>Staff training</b>	<p>We are concerned by Deloitte's finding that 2,170 staff have not received ring-fencing training, compared to only 200 staff that have. While staff that operate closely with the affiliate require a detailed understanding of the guideline, all staff should have some basic level of understanding that the affiliate entity cannot be treated preferentially.</p> <p>Please provide the following additional information:</p> <p>☐ Details of how appropriate levels of staff training will be provided across AusNet and an estimate of when this training will take place.</p>	<p>Based on the AER's concerns and what we understand is expected practice, AusNet Services has altered their approach for selecting the audience for Electricity distribution Ringfencing training (previously the training was targeted to staff directly impacted and or managers of teams where there may be a distribution ringfencing consideration).</p> <p>With this in mind our planned approach for an enhanced delivery is a 3-pronged approach:</p> <ol style="list-style-type: none"> <li>1 – Broadcast message via intranet that outlines where resources are relating to key ringfencing educational information</li> <li>2- Online module for in scope staff</li> <li>3 "Lite" module delivery for field staff</li> </ol> <p>The dates we are working towards to complete this is</p> <p><b>Jun 28:</b> Draft materials for training delivery (Completed)  <b>Jul 10:</b> Confirm audience and mode for training  <b>Jul 19:</b> Revised Materials reviewed and signed off  <b>Aug 2:</b> Broadcast message to ALL AusNet Employee staff that reiterated the importance of Ringfencing, the new module being required for completion and a Ringfencing Intranet site that can be accessed at any time by any person can be accessed at any time by any person  <b>Aug 31:</b> Identified staff enrolled in online Module (with a 3 month completion window)  <b>Nov 30:</b> Targeted staff complete revised module.</p>	<p><b>Resolved</b></p> <p>AusNet Services has rolled out training to <b>all</b> AusNet Services staff in 2019.</p> <p>To impress the importance of the module a video message from AusNet Services EGMs was sent to all employees and a 'Brown Bag' session was run in addition to the online module in November 2019.</p> <p>92% of staff completed the module by the end of year. Those who have not completed the module by the due date were escalated to management to follow up for completion. This has continued to be monitored in 2020 and the current completion rate is 95%. (those who have not completed are due to reasons such as being on long term leave.</p> <p>Measures have been put in place to ensure that new staff are enrolled in the Ring-fencing module upon induction.</p> <p>Evidence of training completion will be assessed as part of annual ring-fencing compliance audit.</p>
<b>Staff secondments</b>	We support Deloitte's recommendation to improve internal tracking of secondments, including that HR note	The management of formal secondments currently provides visibility of DNSP to RESP secondments (and vice a versa).	<b>Resolved as per response provided to the AER on 5 July 2019</b>

## Annual Ring-fencing Compliance Report – 2019

Guideline Obligation	AER's feedback and questions	AusNet Services' response on July 5 2019	Status
	<p>any ring-fencing implications of transfer of staff from the DNSP to the RESP on a secondment. We expect to see evidence that this has been implemented in next year's compliance reporting. Please advise us when you expect improved tracking will be implanted.</p>	<p>During the regulatory year there were no secondments of staff where the seconded person was going to or from a role where they were required to provide/market direct control services or contestable electricity services.</p> <p>What we have done however, is include additional checks for hiring manager to confirm they have considered and are adhering to ringfencing requirements.</p>	<p>Evidence of completion will be assessed as part of annual ring-fencing compliance audit.</p>
<b>Staff sharing register</b>	<p>We note that AusNet Services appears not to have included some staff on the register that should be included. In AusNet Services' management response to Deloitte's report appears to misinterpret the Guideline. For clarity, clause 4.2.4 of the Guideline requires the DNSP to establish, maintain and keep office and staff registers, including for staff that have access to electricity information to the extent necessary to perform services that are not electricity services. <i>Please report to us once AusNet Service has updated staff and office sharing registers accordingly.</i></p>	<p>The reviewed and updated register is now available on our website (version 3). <a href="https://ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance">https://ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance</a></p>	<p><b>Resolved as per response provided to the AER on 5 July 2019</b></p> <p>AusNet Services also continually monitors the staff sharing register and has developed additional tools to assist with determining whether roles should be included on the register.</p>
<b>Information access and disclosure</b>	<p>We note that AusNet Services has undertaken a number of projects and trials involving Mondo. <i>Please provide additional information to answer the following question:</i></p> <p><input type="checkbox"/> Did AusNet Services provide confidential information to Mondo as part of the projects outlined in your compliance report?</p> <p><input type="checkbox"/> Should this confidential information have been included on the information sharing register?</p>	<p>In relation to project and trials involving Mondo (or any other contestable electricity service providers), AusNet Services only provided 'confidential information' (as defined by the Guideline) in the following circumstances:</p> <p>(a) AusNet Services first obtained the explicit informed consent of the relevant customer (permitted as per clause 4.3.3(a));</p> <p>(b) information was requested by or on behalf of a relevant customer of the legal entity (i.e. Mondo or another contestable electricity services provider) to enable the contestable electricity services provider to deliver their services and AusNet Services was satisfied that the legal</p>	<p><b>Resolved as per response provided to the AER on 5 July 2019</b></p> <p>In addition, AusNet Services has included information about trials in the body of this report.</p>



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Guideline Obligation	AER's feedback and questions	AusNet Services' response on July 5 2019	Status
		<p>entity had valid consent from the customer to request such information (permitted as per clause 4.3.3(d));                      (c) the disclosure was necessary to enable AusNet Services to provide its distribution services (permitted as per clause 4.3.3(c)).</p> <p>For example, with respect to the Mooroolbark Mini Grid, AusNet Services obtained the explicit informed consent of the participating customers, including for the purposes chapter 7 of the NER, to share information with its partner in the trial (to facility and develop IP from the trial), [REDACTED] AusNet Services also provided certain electricity information to [REDACTED] so it could provide certain services to AusNet Services in relation to the trial.</p> <p>In relation to the Ben Valley Trial, [REDACTED] obtained the explicit informed consent of all participants (being relevant AusNet Services customers), to ensure the information obtained from the trial could be disclosed to [REDACTED], AusNet Services and other partners in the trial. AusNet Services also provided certain electricity information to [REDACTED] so it could provide certain services to AusNet Services in relation to the trial.</p> <p>In other circumstances, contestable electricity service providers may obtain the explicit written consent of a customer to obtain their metering data from AusNet Services and AusNet Services has as standard, customer authorised representative form that customers and contestable electricity service providers can fill out and provide to facilitate such disclosure.</p> <p>AusNet Services, like other DNSPs, also has a standard connection enquiry process. This process enables it to provide its distribution services and is often iterative, between the customer or potential customer making the</p>	

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Guideline Obligation	AER’s feedback and questions	AusNet Services’ response on July 5 2019	Status
		<p>inquiry and AusNet Services and, necessarily, involves the exchange of certain information to facilitate progress of the application and the associated provision of AusNet Services distribution services. With respect to prospective trials, where a number of possible new connections (load and/or generation) such as the Hume DER Trial, potential trial participants, that may require connection services in a particular area can apply to AusNet Services through the standard connection enquiry process. This process is applied by AusNet Services in a non-discriminatory way to all potential applicants and requires applicants to agree to standard confidentiality and cost re-imburement arrangements. Confidential information that relates to other customers is not (unless they have provided their explicit informed consent) provided as part of this process.</p> <p>Details of the above information sharing processes have not been included on the Information Sharing register, as they are not circumstances that required such disclosure, as per 4.3.4(d) of the Guideline.</p> <p>However, for completeness, AusNet Services is also currently assessing whether it would practicable or viable for it to provide, through a publicly available portal on its website, more electricity information on a standing basis, which may help reduce the cost and complexity of the connection process for certain applicants. This portal would not, of course, provide confidential information that relates to customers.</p>	
<p><b>Breach reporting</b></p>	<p>We support Deloitte’s recommendations to ensure that the requirement to report material breaches within 5 business days is included in relevant internal policies. Should AusNet Services identify a breach in the future, it should engage with AER staff to determine the</p>	<p>We have adjusted our policy and the revised ringfencing training to include the AER’s expectation to engage with them to determine breach materiality. i.e.</p> <p><i>Obligation owners of the various Ringfencing obligations will be required to attest to</i></p>	<p><b>Resolved as per response provided to the AER on 5 July 2019</b></p>

**Annual Ring-fencing Compliance Report – 2019**

Guideline Obligation	AER’s feedback and questions	AusNet Services’ response on July 5 2019	Status
	<p>materiality of the breach, and not wait for the annual report to report the breach to the AER.</p>	<p><i>compliance periodically (see Compliance Policy and Framework do details on Compliance Management).</i></p> <p><i>Any potential of actual breaches of this policy or guideline must be notified to management, compliance, regulatory or legal as soon as practicable.</i></p> <p><i>Compliance, regulatory or legal will inform the AER of the breach to confirm its materiality. If the issue is deemed material, the breach will be reported to the AER within 5 business days using their proposed reporting templates. If the breach is not material, it will be reported as part AusNet Services annual ringfencing compliance report.</i></p> <p><i>AusNet Services will submit an annual Ring-fencing compliance report for each regulatory year to the AER and an assessment of compliance by a suitably qualified independent authority, in accordance with the Guideline.</i></p> <p><i>Information from the attestations and breach registers will inform the content of the annual ringfencing compliance report.</i></p>	<p>Evidence completion will be assessed as part of annual ring-fencing compliance audit.</p>
<p><b>Outstanding action items from last year’s independent assessor report</b></p>	<p>Last year EY’s independent assessment report and the AER’s feedback letter recommended that:</p> <ul style="list-style-type: none"> <li>☑ AusNet Services review service agreements with RESPs to ensure that the terms are compliant with the Guideline.</li> <li>☑ AusNet Services establish regular reviews of staff access to AusNet Services sites. This year, Deloitte also made a number of recommendations with respect to improving site access monitoring.</li> </ul>	<p><b>SERVICE AGREEMENTS</b> <u>RESOLVED:</u> A review of all relevant (i.e. those relating to Distribution Services) Service Agreements has occurred and are comfortable they are compliant with the Guideline.</p> <p><b>SITE ACCESS</b> <u>IN PROGRESS:</u></p>	<p><b>Resolved as per response provided to the AER on 5 July 2019</b></p> <p>An access review was completed. We have also set up a mechanism to perform an annual review of site access.</p>

## Annual Ring-fencing Compliance Report – 2019

Guideline Obligation	AER's feedback and questions	AusNet Services' response on July 5 2019	Status
	<p>☑ Amend the staff sharing register so that, for each shared staff role, it is clear what: (1) the shared staff do for the DNSP; (2) what the shared staff do for the RESP, and; (3) why they can be shared under the Guideline.</p> <p>☑ Document the interpretation of confidential network information and include in the ring-fencing policy.</p> <p>AusNet Services has stated that these outstanding action items are due to be completed by 30 June 2019. <i>Please provide an update to AER staff when these action items 1) expect to be and 2) have been resolved.</i></p>	<p>Monitoring /review activity descriptions drafted to be included in the revised Site Access Policy (completed). Our full review of Beaconsfield site access will be completed by August 31 (In Progress).</p> <p>An amendment to the site access form to include an additional check for ringfencing compliance has defined. The implementation of this is expected by mid-August. (In Progress).</p> <p><b>STAFF REGISTER</b> <u>RESOLVED:</u> On our updated staff sharing register (published on July 5), we have documented the register, so it specifies why the role is published on the register as per the requirements of the guideline. In reviewing this, we also removed roles we previously listed as 'shared' as we have not (nor intend to) use these roles between our DNSP and Contestable Electricity Services delivery businesses.</p> <p><b>DOCUMENT CONFIDENTIAL INFORMATION</b> <u>RESOLVED:</u> This has been included in version 3 of our Ringfencing Policy.</p>	<p>Evidence of completion will be assessed as part of annual ring-fencing compliance audit.</p>

**Appendix 5: Purpose of Transactions**

The below list summarises the purpose of transactions (type, description and nature of work) between AusNet Services and affiliated entities. Costs associated with the transaction have also been provided as requested by the AER.

OPEX							
Legal entity	Description	Type of work	Nature	Direct Mondo Projects	Mondo Indirects	Projects from 1 April	Timesheeting
Mondo Power Pty Ltd	Preventative Maintenance	Condition Monitoring	Direct Project				
Mondo Power Pty Ltd	Preventative Maintenance	Chemical Testing	Direct Project				
Mondo Power Pty Ltd	Inspection	Inspection works	Direct Project				
Mondo Power Pty Ltd	Inspection	Non-invasive testing	Direct Project				
Mondo Power Pty Ltd	Other Opex	Other management and support costs	Direct Project				
Mondo Power Pty Ltd	Metering	Metering Services	Direct Project				
Mondo Power Pty Ltd	Shared assets	Facilities Access Arrangements	Direct Project				
Mondo Power Pty Ltd	Non-Regulated Services	Materials Management	Direct Project				
Mondo Power Pty Ltd	Overheads	Condition Monitoring	Indirect Costs				
Mondo Power Pty Ltd	Overheads	Calibration and Projects	Indirect Costs				
Mondo Power Pty Ltd	Overheads	Chemical Testing	Indirect Costs				
Mondo Power Pty Ltd	Overheads	Non-invasive testing	Indirect Costs				
Mondo Power Pty Ltd	Overheads	Metering Services	Indirect Costs				
Mondo Power Pty Ltd	Overheads	Networks Solutions South & Management Oversight	Indirect Costs				
Mondo Power Pty Ltd	Overheads	Unregulated works	Indirect Costs				
Mondo Power Pty Ltd	Outsourced Labour	Calibration and Projects	Timesheeting				
Mondo Power Pty Ltd	Outsourced Labour	Chemical Testing	Timesheeting				

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## OPEX

Legal entity	Description	Type of work	Nature	Direct Mondo Projects	Mondo Indirects	Projects from 1 April	Timesheeting
Mondo Power Pty Ltd	Outsourced Labour	Condition Monitoring	Timesheeting				██████████
Mondo Power Pty Ltd	Outsourced Labour	Non-invasive testing	Timesheeting				██████████
Mondo Power Pty Ltd	Outsourced Labour	Metering Services	Timesheeting				██████████
Mondo Power Pty Ltd	Outsourced Labour	Asset Inspection, contracts, etc.	Timesheeting				██████████
Zinfra Pty Limited	Opex	Opex Works	Contractor			██████████	

## CAPEX

Legal entity	Description	Type of work	Nature	Direct Mondo Projects	Mondo Indirects	Projects from 1 April	Timesheeting
Mondo Power Pty Ltd	Direct Project	Unregulated Capital Works	Direct Project	██████████			
Mondo Power Pty Ltd	Direct Project	General Equipment Capex	Direct Project	██████████			
Mondo Power Pty Ltd	Overheads	Calibration and Projects	Indirect Costs		██████████		
Mondo Power Pty Ltd	Overheads	Chemical Testing	Indirect Costs		██████████		
Mondo Power Pty Ltd	Overheads	Metering Services	Indirect Costs		██████████		
Mondo Power Pty Ltd	Overheads	Networks Solutions South	Indirect Costs		██████████		
Mondo Power Pty Ltd	Outsourced Labour	Calibration and Projects	Timesheeting				██████████
Mondo Power Pty Ltd	Outsourced Labour	Chemical Testing	Timesheeting				██████████
Mondo Power Pty Ltd	Outsourced Labour	Metering Services	Timesheeting				██████████
Mondo Power Pty Ltd	Outsourced Labour	Condition Monitoring	Timesheeting				██████████
Mondo Power Pty Ltd	Outsourced Labour	Non-invasive testing	Timesheeting				██████████
Mondo Power Pty Ltd	Outsourced Labour	Emerging Energy Markets	Timesheeting				██████████
Mondo Power Pty Ltd	Outsourced Labour	CES Software Deliver	Timesheeting				██████████
Mondo Power Pty Ltd	Outsourced Labour	Infrastructure Development/Project Delivery	Timesheeting				██████████
Zinfra Pty Limited	Capex	Capex Works	Contractor			██████████	

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OTHER AFFILIATE ENTITIES							
Legal entity	Description	Type of work	Nature	Direct Mondo Projects	Mondo Indirects	Projects from 1 April	Timesheeting
AusNet Transmission Group Pty Ltd	Revenue	NUOS	Network Use of Services			██████	
AusNet Transmission Group Pty Ltd	Cost of Sales	Transmission network charges	Exit charges for use of Transmission Network			██████████	
AusNet Transmission Group Pty Ltd	Cost of Sales	Transmission network charges	Network charges			██████████	
AusNet Services Holdings Pty Ltd	Interest Expense	Interest Expense	Interest on borrowings			██████████	