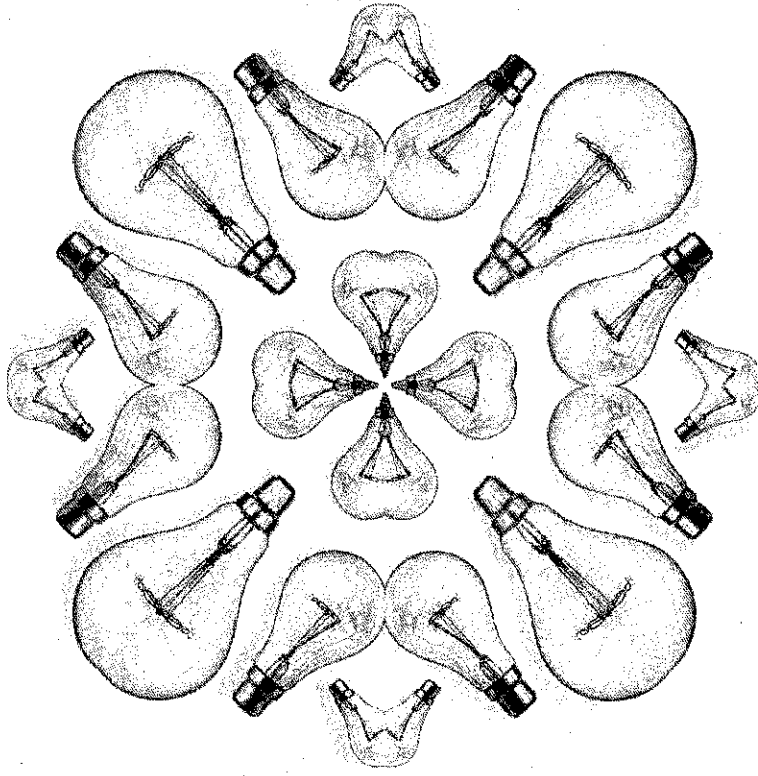


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AusNet Services
Australian Energy Regulator
Ring-Fencing Guideline Compliance Report
30 April 2019

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1. Background

The Australian Energy Regulator (the "AER") published the Electricity Distribution Ring-Fencing Guideline on 30 November 2016 under the National Electricity Rules (the "NER") with amendments made on 17 October 2017 (the "Guideline"). The Guideline provides for functional separation of regulated and competitive business activities to promote competition in the provision of contestable electricity services.

Under clause 6.2.1 (c) of the Guideline, Deloitte has been engaged by AusNet Services as the qualified independent authority to perform an independent assurance of AusNet Services' Ring-Fencing Annual Compliance Report (the "Compliance Report") to determine if it has been prepared, in all material respects, in accordance with the requirements of the Guideline for the period from 1 January 2018 to 31 December 2018 (the "audit period"). Deloitte's assurance engagement has been conducted with the objective of expressing an opinion on AusNet Services' compliance with the Guideline.

In accordance with an engagement letter between AusNet Services and Deloitte dated 22 March 2019, we conducted the assurance engagement in accordance with the Standard on Assurance Engagements ASAE 3100 Compliance Engagements.

2. Summary of Findings

2.1. Overview

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

No.	Category	GL ref	Guidance Obligation	Observations	Recommendations	Rating
6	Obligation not to discriminate	4.1(b)	A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of: i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or ii. contestable electricity services by any other legal entity.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: 220 of AusNet Services employees have completed the Ring-Fencing training program, 2170 employees have yet to complete the training. - Employee [REDACTED] who transferred from Mondo to AusNet Services during the audit period has yet to complete Ring-Fencing training.	To address the observations we recommend the below: - Management ensure the 2170 employees who have not yet completed the training program do so as soon as possible. - As a matter of urgency, [REDACTED] completes the Ring-Fencing training. - For shared staff outlined under the Staff and Site Sharing Register published on AusNet Services' website https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance, we recommend that the position description of these staff be updated to include their Ring-Fencing obligations and their commitments in accordance with the AusNet Service Ring-Fencing Policy.	Exception.

No.	Category	GL ref	Guidance Obligation	Observations	Recommendations	Rating
7	Offices, staff, branding and promotions	4.2.1(a)	A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - AusNet Services has reviewed office locations to ensure staff providing direct control services are separated from affiliate staff providing contestable electricity services, however we did not identify a process or consideration in place where movement between sites was being overseen and monitored by the business or a centralised function. - The AER have provided a firm view as part of their Annual 2017 -2018 Compliance report that sharing offices, including amenities, is in breach of the Guideline. At the Beaconsfield site AusNet Services and the affiliated entity share amenities (i.e. the toilet and lunchroom).	To address the observations we recommend the below: - AusNet Services develop a procedure to ensure all new personnel are only provided access to locations relevant for their role and entity. - AusNet Services develop a procedure to monitor the access across sites, particularly in those instances employees are seconded or shared for a period of time between AusNet Services and the affiliated entity. - AusNet Services allocate the responsibility of monitoring adherence to the above-mentioned recommended employees to a team of individuals within AusNet Services. - AusNet Services discuss the sharing of common amenities at the Beaconsfield site with the AER to ensure the AER are satisfied that AusNet Services are not in breach of the Guideline.	Exception.
11	Office and staff registers	4.2.4 (a), (b)	A DNSP must establish, maintain and keep a register that identifies: (a) the classes of offices to which it has not applied; and (b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff and must make the register publicly available on its website.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - Whilst AusNet Services have a Staff Sharing and Site Sharing Register in place, AusNet Services could not confirm or how the wider business were made aware of the registers and who was responsible for updating the registers post the project. - The nature of the positions included in the Staff Sharing Register are not linked to actual position/titles used within the business. - The secondment register provided by HR representatives did not clearly outline the roles of the staff members who were seconded across the business. This made it difficult to confirm if seconded staff were subject to staff sharing.	To address the observations we recommend the below: - AusNet Services maintain a database or document outlining the nature of positions to actual position/titles that is read in conjunction with the Staff Sharing Register. These requirements should also be reflected in AusNet Services training material. - Allocate responsibility of the upkeep and maintenance of the Staff Sharing Register and Secondment Register to a dedicated Team or individual, who would in return undertake spot checks across the business.	Exception.

No.	Category	GL ref.	Guidance Obligation	Observations	Recommendations	Rating
12	Protection of confidential information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential information for the purpose for which it was acquired or generated (b) only use confidential information for the purpose for which it was acquired or generated	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - The definition of confidential information varied across the Privacy Policy, Ring-Fencing Policy and Information Security Policy and Controls. - The Information Security Policy and Controls document did not address whether AusNet Services were monitoring large volumes of data or records from systems containing confidential information. - There are no monitoring activities undertaken to determine how often Mondo employees are accessing AusNet systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information without adequate consideration of Ring-Fencing compliance.	To address the observations we recommend the below: - AusNet Services form a consistent view of what constitutes confidential information for AusNet Services and reflect across all relevant policies.. - AusNet Services implement an active monitoring program to monitor instance where large volumes of data or records from systems containing confidential information is shared between the affiliated entity and AusNet Service or across each individual entity.	Exception.

No.	Category	GL ref	Guidance Obligation	Observations	Recommendations	Rating
13	Disclosure of information	4.3.3 (a)-(g)	A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless: (a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates; (b) the disclosure is required by, or for the purpose of complying with any law; (c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities); (d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer; (e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control; (f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP (g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - The definition of confidential information varied across the Privacy Policy, Ring-Fencing Policy and Information Security Policy and Controls. - The Information Security Policy and Controls document did not address whether AusNet Services were monitoring large volumes of data or records from systems containing confidential information. - There are no monitoring activities undertaken to determine how often Mondo employees are accessing AusNet systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information without adequate consideration of Ring-Fencing compliance.	To address the observations we recommend the below: - AusNet Services form a consistent view of what constitutes confidential information for AusNet Services and reflect across all relevant policies. - AusNet Services implement an active monitoring program to monitor instances where large volumes of data or records from systems containing confidential information is shared between the affiliated entity and AusNet Service or across each individual entity.	Exception.

No.	Category	GL ref	Guidance Obligation	Observations	Recommendations	Rating
21	Annual compliance report	6.2.1 (a), (b) (c)	A DNSP must prepare an annual ring--fencing compliance report each regulatory year. The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates: i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline; ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP; and iii. all other services provided by the DNSP in accordance with clause 3.1; and iv. the purpose of all transactions between the DNSP and an affiliated entity. The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: AusNet Services has prepared an annual Ring-Fencing compliance report for the 2018 regulatory year, however we have identified that up to 3 of the management commitments from the prior audit report have not been addressed and remain outstanding.	To address the observations we recommend the below: AusNet Services allocate the responsibility of closing out open Ring-Fencing compliance matters to a dedicated team or person. In instances the open items require a longer time to address, we recommend that AusNet Services communicate an extension with the AER.	Exception.

No.	Category	GL ref	Guidance Obligation	Observations	Recommendations	Rating
22	Compliance breaches	6.3	A DNSP must notify the AER in writing within 5 (five) business days of becoming aware of a material breach of its obligations under this Guideline.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - Whilst the Guideline does not expressly outline what constitutes a material breach, AusNet Services has not documented what would constitute a material breach for AusNet Services. - The AusNet Services Ring-Fencing for electricity distribution Policy training requires updating to accurately reflect the functional mailbox as the mailbox for compliance matters is currently listed as [REDACTED] which is not monitored for Ring-Fencing matters. - The Guideline specifies that a DNSP must notify the AER in writing within 5 days of becoming aware of a material breach. The AusNet Services breach notification and escalation process and the AusNet Services Ring-Fencing for electricity distribution Policy training does not specify the period required to determine the existence of a breach.	To address the observations we recommend the below: - AusNet Services consider and document a view as to what constitutes a material breach for AusNet Services and prepare relevant business communication. - AusNet Services migrate all Ring-Fencing enquiry to [REDACTED]	Exception.

2.2. Rating Applied

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

3. Detailed Audit Findings

3.1. Overview

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

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
1	Legal separation	3.1 (a)	A DNSP must be a legal entity.	Discussions held with: - Compliance Manager. - Lead Legal Counsel. Key Control: - AusNet Services Registered Australian Company Number (ACN and ABN). Information Obtained: - A copy of the Distributors license issued under the ESC electricity distribution license and AEMO participant registration. - AusNet Services ACN ASIC Information via http://www.abr.business.gov.au/Search/ResultsActive?SearchText=ausnet%20services Test Performed: - We performed an ASIC search on AusNet Services using the ACN and ABN contained in the distributor's ESC and AEMO licenses to establish it is a separate legal entity. - We assessed all current website material to establish it reflected the ACN. - We assessed Mondo's website to confirm that separate ACN and ABN's were being used.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: AusNet Services is a separate legal entity.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
2	Legal separation	3.1 (b)	A DNSP may provide distribution services and transmission services, but must not provide other services.	Discussions held with: • [REDACTED] Compliance Manager. • [REDACTED] Lead Legal Counsel. Key Control: • Branding and marketing representations across AusNet Services and Mondo web pages. • AusNet Services Terms and Conditions V2. • Request for Contracts Templates V9. • Customer Feedback and Claims Register. • Agent scripting. Information Obtained: • Planned interruption customer facing letter. • Customer and Claims Register. • Contact Centre scripting. • AusNet Services Terms and Conditions V2. • Request for Contracts Templates V9. • Project Service Panel Agreement ([REDACTED]) • AusNet Services SPSCA - [REDACTED] • Master Works Agreement - [REDACTED] • AusNet Services Electricity Distribution Customer Charter. Test Performed: • We obtained a sample of 153 feedback cases received within the audit period and performed the following: • Randomly selected 55 feedback cases from the sample; • Validated all 55 feedback cases were received on the basis AusNet Services has not provided contestable services to customers (and it is on this basis the customer has provided feedback and expressed frustration). • We sampled the planned interruption customer-facing letter to validate it expressly states AusNet Services are unable to make any recommendations or referrals for electrical contractors (where one may be required). • We assessed the AusNet Services Electricity Distribution Customer Charter to validate it did not conflict with the Guideline.	Based on the control testing performed we have not identified matters of exception against the obligation, with key point(s) below: • AusNet Services only provide direct control services. • AusNet Services has appropriate preventative controls in place to ensure all procurement arrangements entered into are managed in accordance with the Guideline. We have identified matters of improvement, as follows: • We recommend that the planned interruption customer-facing letter be updated to reflect AusNet Services are unable to make any recommendations or referrals for electrical contractors (where one may be required). • We recommend that the AusNet Services Electricity Distribution Customer Charter is re-visited against the terms of the Guideline, in particular confirm whether the guidance on AusNet Services DNSP activities on page 4 are accurate (... electricity metering at your premises...).	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
3	Separate accounts	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.	Discussions held with: • [REDACTED] Senior Finance Business Partner. Key Control: • AusNet Services internal accounting procedure manual. • The Cost Allocation Methodology (CAM) as approved by the AER. • RES Divisional Monthly Business Report. • ABC Survey Report. • SAP AusNet Services accounting system, which contains separate legal entities for recording transactions between AusNet Services and the affiliate. • Monthly journal transfer and reconciliation process between AusNet Services and the affiliate entity. Information Obtained: • The Cost Allocation Methodology (CAM) as approved by the AER. • The SAP AusNet Services accounting system, which contains separate legal entities for recording transactions between AusNet Services and the affiliate. • RES Divisional Monthly Business Report (September 2018). • YTD September check. Test Performed: • We reviewed the CAM to establish it addresses the allocation of costs against AusNet Services and the affiliate respectively. • We reviewed the AusNet Services internal accounting procedure manual to confirm it addressed transactions between AusNet Services and its affiliated entities. • We reviewed the RES Divisional Monthly Business Report to confirm if it addressed transactions or matters between AusNet Services and the affiliate.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: • AusNet Services has a process in place to establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between AusNet Services and its affiliated entities. We have identified matters of improvement, as follows: • We recommend management consider an express metric for disclosing non-compliance or risk between AusNet Services and its affiliate entities within the Divisional Monthly Business Report.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
4	Cost allocation and attribution	3.2.2 (a), (b)	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 to the allocation and attribution of costs between distribution services and non-distribution services. - and must not allocate or attribute other costs to the distribution services it provides.	Discussions held with: • [REDACTED] Senior Finance Business Partner. Key Control: • AusNet Services internal accounting procedure manual. • The Cost Allocation Methodology (CAM) as approved by the AER. • RES Divisional Monthly Business Report. • ABC Survey Report. • SAP AusNet Services accounting system, which contains separate legal entities for recording transactions between AusNet Services and the affiliate. • Monthly journal transfer and reconciliation process between AusNet Services and the affiliate entity. Information Obtained: • The Cost Allocation Methodology (CAM) as approved by the AER. • The SAP AusNet Services accounting system, which contains separate legal entities for recording transactions between AusNet Services and the affiliate. • RES Divisional Monthly Business Report (September 2018). • YTD September check. Test Performed: • We reviewed the CAM to establish it addresses the allocation of costs against AusNet Services and the affiliate respectively. • We reviewed the AusNet Services internal accounting procedure manual to confirm it addressed transactions between AusNet Services and its affiliated entities. • We reviewed the RES Divisional Monthly Business Report to confirm if it addressed transactions or matters between AusNet Services and the affiliate.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: • AusNet Services has a process in place to allocate costs to distribution services and is consistent with the cost allocation principles and AER approved CAM. We have identified matters of improvement, as follows: • We recommend management consider an express metric for disclosing non-compliance or risk between AusNet Services and its affiliate entities within the Divisional Monthly Business Report.	No Exception

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
5	Cost allocation and attribution	3.2.2 (c)	A DNSP must establish, maintain and keep records that demonstrate how it meets cost allocation and attribution obligations.	Discussions held with: - Senior Finance Business Partner. Key Control: - AusNet Services internal accounting procedure manual. - The Cost Allocation Methodology (CAM) as approved by the AER. - RES Divisional Monthly Business Report. - ABC Survey Report. - SAP AusNet Services accounting system, which contains separate legal entities for recording transactions between AusNet Services and the affiliate. - Monthly journal transfer and reconciliation process between AusNet Services and the affiliate entity. Information Obtained: - The Cost Allocation Methodology (CAM) as approved by the AER. - The SAP AusNet Services accounting system, which contains separate legal entities for recording transactions between AusNet Services and the affiliate. - RES Divisional Monthly Business Report (September 2018). - YTD September check. Test Performed: - We reviewed the CAM to establish it addresses the allocation of costs against AusNet Services and the affiliate respectively. - We reviewed the AusNet Services internal accounting procedure manual to confirm it addressed transactions between AusNet Services and its affiliated entities. - We reviewed the RES Divisional Monthly Business Report to confirm if it addressed transactions or matters between AusNet Services and the affiliate.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: - AusNet Services maintains records in relation to cost allocation. We have identified matters of improvement, as follows: - We recommend management consider an express metric for disclosing non-compliance or risk between AusNet Services and its affiliate entities within the Divisional Monthly Business Report.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
6	Obligation not to discriminate	4.1(b)	A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of: i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or ii. contestable electricity services by any other legal entity.	Discussions held with: • [redacted] Compliance Manager. • [redacted] Lead Legal Counsel. • [redacted] Electricity Distribution Business Owner. Key Control: • Ring-Fencing Awareness Training. • Procurement Contract Templates amended for Ring-Fencing. • AusNet External Communications Policy. • AusNet Service Ring-Fencing Policy. Information Obtained: • Ring-Fencing Awareness Training. • Training Register. • AusNet External Communications Policy. • AusNet Service Ring-Fencing Policy. Test Performed: • We reviewed training materials to confirm they outline the obligation for a DNSP not to discriminate between a related electricity service provider and a competitor. • We reviewed the Ring-Fencing training register to determine whether required personnel have completed the Ring-Fencing training. • We validated AusNet Services has a Ring-Fencing Policy in place together with a clear outline of what an AusNet Services personnel can and cannot do when dealing with the affiliate. • We sampled the planned interruption customer-facing letter which expressly states AusNet Services are unable to make any recommendations or referrals for electrical contractors (where one may be required). • We obtained AusNet Services contact centre agent scripting used during the audit period and performed the following: • Randomly selected 2 scripts used by contact centre personnel when customers request contestable services and consequently require an accredited service provider, from the sample; • Determined the script samples are explicit where it is not a fault with AusNet Services network equipment, AusNet Services cannot make further diagnosis or repair and a customer must engage their own contractor. • We obtained a sample of 153 feedback cases received within the audit period and performed the following: • Randomly selected 55 feedback cases from the sample;	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: • 220 of AusNet Services employees have completed the Ring-Fencing training program, 2170 employees have yet to complete the training. • Employee [redacted] who transferred from Mondo to AusNet Services during the audit period has yet to complete Ring-Fencing training. To address the observations we recommend the below: • Management ensure the 2170 employees who have not yet completed the training program do so as soon as possible. • As a matter of urgency [redacted] completes the Ring-Fencing training. • For shared staff outlined under the Staff and Site Sharing Register published on AusNet Services' website https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance. we recommend that the position description of these staff be updated to include their Ring-Fencing obligations and their commitments in accordance with the AusNet Service Ring-Fencing Policy.	Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
7	Offices, staff, branding and promotions	4.2.1(a)	A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	- Identified all 55 feedback cases were received because AusNet Services has not provided contestable services to customers (and on this basis, the customer has provided feedback and expressed frustration). Discussions held with: ██████████ Compliance Manager. ██████████ Lead Legal Counsel. ██████████ Electricity Distribution Business Owner. ██████████ Senior Marketing Manager. Key Control - Separate physical workspaces for staff including restricted work locations through electronic access controls. - Staff identification cards have been developed to differentiate between AusNet Services personnel and affiliate personnel. - Beaconsfield staff access. - Site access guidance slide. Information Obtained: - AusNet Services accommodation plan. - Ring-Fencing – Office Register. - Ring-Fencing – Staff Register. - Site access guidance slide. Test Performed: - We sighted AusNet Services' accommodation plan, which demonstrates the affiliate staff are not co-located with AusNet Services Staff (other than shared amenities). - We obtained a sample of access records of 5 personnel who should only be accessing the affiliates location and performed the following: - Randomly selected 2 personnel from the sample; - Validated the locations accessed based on the electronic access logs where available across 2018 of both the affiliate and AusNet Services access cards; - Sought confirmation from management where AusNet Services assets were accessed and whether they were accessed in line with the established protocols for staff sharing.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - AusNet Services has reviewed office locations to ensure staff providing direct control services are separated from affiliate staff providing contestable electricity services, however we did not identify a control in place where movement between sites was monitored. - The AER have provided a firm view as part of their Annual 2017 -2018 Compliance report that sharing offices, including amenities, is in breach of the Guideline. At the Beaconsfield site AusNet Services and the affiliated entity share amenities (i.e. the toilet and lunchroom). To address the observations we recommend the below: - AusNet Services develop a procedure to ensure all new personnel are only provided access to locations relevant for their role and entity. - AusNet Services develop a procedure to monitor the access across sites, particularly in those instances employees are seconded or shared for a period of time between AusNet Services and the affiliated entity. - AusNet Services allocate the responsibility of monitoring adherence to the above-mentioned recommended employees to a team of individuals within AusNet Services.	Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
8	Staff sharing	4.2.2(a)	A DNSP must ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.	Discussions held with: • [REDACTED] HR, Organisational development. • [REDACTED] GM of People and Culture. Key Control: • Staff and Site Sharing Register published on AusNet Services' website. https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance Information Obtained: • AusNet Services' Ring-Fencing training program and materials. • AusNet Services' Ring-Fencing Policy. • Staff and Site Sharing Register published on AusNet Services' website. https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance • Social Media and Communication Policy. Tests Performed: • We reviewed the internal Ring-Fencing communications plan, which outlines planned change activities and the strategic objective of each activity implemented. This document summarises relevant communication for all internal stakeholders over the audit period. • We validated no staff were seconded between AusNet Services and the affiliate during the testing period. • We validated a staff sharing register does exist and is available on AusNet Services' website (noting no staff were seconded during the testing period). • We assessed the risks, issues and near misses identified during the audit period to confirm there were no compliance issues against the Guideline Obligation. • We assessed a sample of 5 external communications available via LinkedIn and Google Media to confirm they were conducted in accordance with the Social Media and Communication Policy and AusNet Services' Ring-Fencing Policy.	• AusNet Services discuss the sharing of common amenities at the Beaconsfield site with the AER to ensure the AER are comfortable that AusNet Services are not in breach of the Guideline. Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: • AusNet Services has a process in place to ensure that 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. We have identified matters of improvement, as follows: • We recommend monitoring of social media commentary across LinkedIn (liked commentary and profiles) and Google Media to ensure that staff are not implicating AusNet Services to Ring-Fencing exposure. We identified 2 instances were new graduates created profiles suggesting they work for both the affiliated entity and AusNet Services concurrently.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
9	Staff sharing	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 a manner that is contrary to the DNSP's obligations under this Guideline.	Discussions held with: ██████████ Head of Internal Audit. Key Control: - AusNet Services' Ring-Fencing training program and materials. - AusNet Services' Ring-Fencing Policy. - AusNet Services key performance indicators. Information Obtained: - AusNet Services' Ring-Fencing training program and materials. - AusNet Services' Ring-Fencing Policy. - AusNet Services key performance indicators (KPIs). Tests Performed: - We assessed that there was a program in place to oversee the allocation of KPIs across both AusNet Services and the affiliated entity. - We discussed with the head of internal audit the approach in assessing the approach of allocating incentives across both AusNet Services and the affiliated entity.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: AusNet Services has an established program ensuring that remuneration, incentives and other benefits (financial or otherwise) provided to employees is not contrary to AusNet Services obligations under the Guideline.	No Exception.
10	Branding and cross-promotion	4.2.3(a)	A DNSP: i. must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related electricity service provider are related. ii. must not advertise or promote its direct control services and its contestable electricity services that are not direct	Discussions held with: ██████████ Senior Marketing Manager. Key Control: - AusNet Services' and affiliate entity marketing guidelines. - AusNet Services' Ring-Fencing Policy. - AusNet Services' Ring-Fencing training program and materials. Information Obtained: - AusNet Services' and affiliate entity marketing guidelines. - AusNet Services' Ring-Fencing Policy. - Customer Feedback and Claims Register. - Branding and marketing enquiries. Tests Performed: - We reviewed training material to confirm they outline the branding and marketing requirements as per the Guideline. - We sampled the planned interruption customer facing letter which expressly states AusNet Services are unable to make any recommendations or referrals for electrical contractors (where one may be required) and is branded AusNet Services.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: AusNet Services has included guidance on branding requirements as part of its Ring-Fencing policy to address the requirement of separate branding.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
			control services together (including by way of cross-advertisement or cross-promotion). iii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.	- We reviewed AusNet Services' website to determine there are no contestable electricity services being promoted or referenced on the website. - We reviewed a sample of 2 branding and marketing enquiries from the business to confirm they were addressed in accordance with the AusNet Service Ring-Fencing Policy and AusNet Services' Ring-Fencing training program and materials.		

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
11	Office and staff registers	4.2.4 (a), (b)	A DNSP must establish, maintain and keep a register that identifies: (a) the classes of offices to which it has not applied; and (b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff and must make the register publicly available on its website.	Discussions held with: ██████████ Compliance Manager. ██████████ Lead Legal Counsel. ██████████ Electricity Distribution Business Owner. ██████████ HR, Organisational Development. ██████████ GM of People and Culture. Key Control: - Staff and Site Sharing Register published on AusNet Services' website. https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance Information Obtained: - AusNet Services Site Sharing Register. - Ring-Fencing – Staff Register. - AusNet secondment register. Tests Performed: - We assessed the Staff and Site Sharing Registers to ensure information disclosure is accurate and reflects advised staff and site sharing. - We assessed the secondment register to ensure disclosure of seconded staff was reflected in the Staff Sharing Register. - We assessed the risks, issues and near misses identified during the audit period to confirm that there were no compliance issues against the Guideline obligation.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - Whilst AusNet Services have a Staff Sharing and Site Sharing Register in place, AusNet Services could not confirm or how the wider business were made aware of the registers and who was responsible for updating the registers post the project. - The nature of the positions included in the Staff Sharing Register are not linked to actual position/titles used within the business. - The secondment register provided by HR representatives did not clearly outline the roles of the staff members who were seconded across the business. This made it difficult to confirm if seconded staff were subject to staff sharing. To address the observations we recommend the below: - AusNet Services maintain a database or document outlining the nature of positions to actual position/titles that is read in conjunction with the Staff Sharing Register. - AusNet Services allocate responsibility of the upkeep and maintenance of the Staff Sharing Register and Secondment Register to a dedicated Team or individual, who would in return undertake spot checks across the business.	Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
12	Protection of confidential information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential information confidential (b) only use confidential information for the purpose for which it was acquired or generated	Discussions held with: ██████████ Head of Internal Audit. ██████████ Manager Energy Connections. ██████████ Strategic Network Planning. Key Control: - AusNet Services Information Sharing Protocol located on: https://www.ausnetservices.com.au/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance - AusNet Services Information Security Policy and Controls document. Information Obtained: - AusNet Services Information Sharing Protocol located on: https://www.ausnetservices.com.au/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance - AusNet Services Information Security Policy and Controls. - AusNet Services Privacy Policy. - AusNet connections web form and procedure. - Network Modification Agreement. - Connections Services Agreement. - NDA Template. - EGC Enquiry Form. - SAP User Access Review – Mondo. - Walk through of Internal Audit technology audits (i.e. security audits, penetration audits) Tests Performed: - We reviewed the Information Sharing Protocol and validated it is designed to meet the requirements of the Guideline. This document outlines the requirements of AusNet Services in the disclosure of confidential information and the prerequisites required before sharing any information. The Information Sharing Protocol aligns to the Information Sharing Register. - We validated AusNet Services has a Privacy Policy and all employees are required to complete online privacy training. - We validated AusNet Services' intranet page is separated from the affiliate to allow only AusNet Services staff to view information specific to AusNet Services (a separate intranet has been created for the affiliate). - We validated through management discussions instructions have been provided to affiliate employees not to access prohibited information. - We validated requests for confidential were addressed in accordance with representations made during discussions with the above-mentioned AusNet personnel.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - The definition of confidential information varied across the Privacy Policy, Ring-Fencing Policy and Information Security Policy and Controls. - The Information Security Policy and Controls document did not address whether AusNet Services were monitoring large volumes of data or records from systems containing confidential information. - There are no monitoring activities undertaken to determine how often Mondo employees are accessing AusNet systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information without adequate consideration of Ring-Fencing compliance. To address the observations we recommend the below: - AusNet Services form a consistent view of what constitutes confidential information for AusNet Services and reflect across all relevant policies. - AusNet Services implement an active monitoring program to monitor instance where large volumes of data or records from systems containing confidential information is shared between the affiliated entity and AusNet Service or across each individual entity.	Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
13	Disclosure of information	4.3.3 (a)-(g)	A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless: (a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates; (b) the disclosure is required by, or for the purpose of complying with any law; (c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities); (d) the information has been requested by or on behalf of a customer, or potential customer, or another legal entity, and the	- We assessed that AusNet Services conducted periodic assessment of SAP user access. - Performed testing on a sample of employees with system access to electricity information to ensure that they are not employees of the affiliate. - We checked management's assessment of systems that contain confidential information against the affiliated entities employee list (extracted from LinkedIn). - We assessed the risks, issues and near misses identified during the audit period to confirm there were no compliance issues against the Guideline obligation. Discussions held with: - Head of Internal Audit. - Manager Energy Connections. - Strategic Network Planning. Key Control: - AusNet Services Information Sharing Protocol located on: https://www.ausnetservices.com.au/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance - AusNet Services Information Security Policy and Controls document. Information Obtained: - AusNet Services Information Sharing Protocol located on: https://www.ausnetservices.com.au/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance - AusNet Services Information Security Policy and Controls. - AusNet Services Privacy Policy. - AusNet connections web form and procedure. - Network Modification Agreement. - Connections Services Agreement. - NDA Template. - EGC Enquiry Form. - SAP User Access Review – Mondo. - Walk through of Internal Audit technology audits (i.e. security audits, penetration audits). Tests Performed: - We reviewed the Information Sharing Protocol and validated it is designed to meet the requirements of the Guideline. This document outlines the requirements of AusNet Services in the disclosure of confidential information and the prerequisites required before sharing any information. The Information Sharing Protocol aligns to the Information Sharing Register.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - The definition of confidential information varied across the Privacy Policy, Ring-Fencing Policy and Information Security Policy and Controls. - The Information Security Policy and Controls document did not address whether AusNet Services were monitoring large volumes of data or records from systems containing confidential information. - There are no monitoring activities undertaken to determine how often Mondo employees are accessing AusNet systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information without adequate consideration of Ring-Fencing compliance. To address the observations we recommend the below: - AusNet Services form a consistent view of what constitutes confidential information for AusNet Services and reflect across all relevant policies. - AusNet Services implement an active monitoring program to monitor	Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
			disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer; (e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control; (f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP (g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.	• We validated AusNet Services has a Privacy Policy and all employees are required to complete online privacy training. • We validated AusNet Services' intranet page is separated from the affiliate to allow only AusNet Services staff to view information specific to AusNet Services (a separate intranet has been created for the affiliate). • We validated through management discussions instructions have been provided to affiliate employees not to access prohibited information. • We validated requests for confidential were addressed in accordance with representations made during discussions with the above-mentioned AusNet personnel. • We assessed that AusNet Services conducted periodic assessment of SAP user access. • Performed testing on a sample of employees with system access to electricity information to ensure that they are not employees of the affiliate. • We checked management's assessment of systems that contain confidential information against the affiliated entities employee list (extracted from LinkedIn). • We assessed the risks, issues and near misses identified during the audit period to confirm there were no compliance issues against the Guideline obligation.	instance where large volumes of data or records from systems containing confidential information is shared between the affiliated entity and AusNet Service or across each individual entity.	

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
14	Information register	4.3.5 (a) - (c)	(a) A DNSP must establish, maintain and keep a register of all: i. related electricity service providers; ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information identified in clause 4.3.4(a), and must make the register publicly available on its website. (b) For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.4(a), the DNSP's information register must: i. identify the kind of information requested by the legal entity; and ii. describe the kind of information requested by the legal entity in sufficient detail to enable other legal entities to make an informed decision about whether to request that kind of information from the DNSP. (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	Discussions held with: • [REDACTED] Compliance Manager. • [REDACTED] Lead Legal Counsel. • [REDACTED] Electricity Distribution Business Owner. Key Control: • Information Register published on AusNet Services' website. https://www.ausnetservices.com.au/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance Information Obtained: • Ring-Fencing – Information Register. Tests Performed: • We assessed the Information Register to ensure it was in place and that information disclosure is accurate and reflects information sharing. • We assessed risks, issues and near misses identified during the audit period to confirm that there were no compliance issues against the Guideline obligation.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: • AusNet has established and maintained an Information Register.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
15	Conduct of service providers	4.4.1 (a)	that the DNSP is required to provide under clause 4.3.4(a), and the DNSP must comply with that request. A DNSP: (a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with: i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP.	Discussions held with: • [REDACTED] Lead Legal Counsel. • [REDACTED] Head of Internal Audit. Key Control: • AusNet Services Terms and Conditions V2. • Request for Contracts Templates V9. Information Obtained: • AusNet Services Terms and Conditions V2. • Request for Contracts Templates V9. • Project Service Panel Agreement ([REDACTED]) • AusNet Services SPSCA – ([REDACTED]) • Master Works Agreement – ([REDACTED]) Test Performed: • We obtained a sample of 5 legally approved procurement templates executed within the audit period and performed the following: • Randomly selected 3 different legally approved procurement templates and; • Validated that the Ring-Fencing provisions, including but not limited to, the obligation not to discriminate, in addition to the clauses required under this obligation have been included on the Contracting Templates used by the Procurement Team and added to AusNet Services' terms and conditions.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: • AusNet Services has a process in place to ensure the DNSP does not directly or indirectly encourage or incentivise a service provider to engage in conduct contrary to the Guideline.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
16	Conduct of service providers	4.4.1 (b)	A DNSP: (b) must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's obligations.	Discussions held with: • [REDACTED] Lead Legal Counsel. • [REDACTED] Head of Internal Audit. Key Control: • AusNet Services Terms and Conditions V2. • Request for Contracts Templates V9. Information Obtained: • AusNet Services Terms and Conditions V2. • Request for Contracts Templates V9. • Project Service Panel Agreement - [REDACTED] • AusNet Services SPSCA - [REDACTED] • Master Works Agreement - [REDACTED] Test Performed: • We obtained a sample of 5 legally approved procurement templates executed within the audit period and performed the following: • Randomly selected 2 legally approved procurement templates from the sample and; • Validated that procurement templates executed during the audit period contained obligations for service providers to adhere to the statement of business ethics.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: • AusNet Services has a process in place to ensure the DNSP does not directly or indirectly encourage or incentivise a service provider to engage in conduct contrary to the Guideline.	No Exception.
17	The AER will not grant a waiver of an obligation under this Guideline other than in accordance with this clause 5	5.2 (a) - (h)	A DNSP may apply in writing to the AER for a waiver. An application for a waiver must contain all information and materials necessary to support the DNSP's application, including: (a) the obligation in respect of which the DNSP is applying for a waiver; (b) the reasons why the DNSP is applying for the waiver; (c) details of the service, or services, in relation to which the DNSP is applying for the	Discussions held with: • [REDACTED] Senior Regulatory Economist, Regulated and Network Services. Key Control: • Ring-Fencing Register – Waivers https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance • AusNet Services submitted waiver application. • AER's written response to AusNet Services waiver application. Information Obtained: • Ring-Fencing Register – Waivers. • AusNet Services submitted waiver application. • AER's written response to AusNet Services waiver application. Tests Performed: • We assessed current business practices against AER approved waivers. • We held discussions with AusNet personnel monitoring business practice to approved waiver conditions.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: • AusNet Services has established and maintains a waiver register, which contains a description of the conduct to which the waiver applies together with the terms and conditions of the waiver as set out in the AER's written decision.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
			waiver; (d) the proposed commencement date and expiry date (if any) of the waiver and the reasons for those dates; (e) details of the costs associated with the DNSP complying with the obligation if the waiver of the obligation were refused; (f) the regulatory control period(s) to which the waiver would apply; (g) any additional measures the DNSP proposes to undertake if the waiver were granted; and (h) the reasons why the DNSP considers the waiver should be granted with reference to the matters specified in clause 5.3.2(a), including the benefits, or likely benefits, of the grant of the waiver to electricity consumers.	• We assessed the risks, issues and near misses identified during the audit period to confirm that there were no compliance issues against the Guideline Obligation. • We reviewed the final decision by the AER to confirm these waivers are included in that decision.		

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
18	Waiver register	5.7 (a)	A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) and must make the register publicly available on its website.	Discussions held with: • [REDACTED] Senior Regulatory Economist, Regulated and Network Services. Key Control: • Ring-Fencing Register – Waivers https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance • AusNet Services submitted waiver application. • AER's written response to AusNet Services waiver application. Information Obtained: • Ring-Fencing Register – Waivers. • AusNet Services submitted waiver application. • AER's written response to AusNet Services waiver application. Tests Performed: • We assessed current business practices against AER approved waivers. • We held discussions with AusNet personnel monitoring business practice to approved waiver conditions. • We assessed the risks, issues and near misses identified during the audit period to confirm that there were no compliance issues against the Guideline Obligation. • We reviewed the final decision by the AER to confirm these waivers are included in that decision.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: • AusNet Services has established and maintained a waiver register, which contains a description of the conduct to which the waiver applies together with the terms and conditions of the waiver as set out in the AER's written decision.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
19	Waiver register	5.7 (b)	The register established under clause 5.7(a) must include: i. the description of the conduct to which the waiver or interim waiver applies; and 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.	Discussions held with: - Senior Regulatory Economist, Regulated and Network Services. Key Control: - Ring-Fencing Register – Waivers https://www.ausnetsservices.com.au/en/Misc-Pages/Links/About-Us/Electricity-Ring-Fencing-Compliance - AusNet Services submitted waiver application. - AER's written response to AusNet Services waiver application. Information Obtained: - Ring-Fencing Register – Waivers. - AusNet Services submitted waiver application. - AER's written response to AusNet Services waiver application. Tests Performed: - We assessed current business practices against AER approved waivers. - We held discussions with AusNet personnel monitoring business practice to approved waiver conditions. - We assessed the risks, issues and near misses identified during the audit period to confirm that there were no compliance issues against the Guideline Obligation. - We reviewed the final decision by the AER to confirm these waivers are included in that decision.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: AusNet Services has established and maintained a waiver register, which contains a description of the conduct to which the waiver applies together with the terms and conditions of the waiver as set out in the AER's written decision.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
20	Maintaining compliance	6.1	A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline.	Discussions held with: ██████████ Compliance Manager. ██████████ Lead Legal Counsel. ██████████ Senior Regulatory Economist, Regulated and Network Services. Key Control: - AusNet Services 2018 Annual Ring-Fencing Compliance Report. - Enablon – compliance system. - Business attestation against the Guideline. - Ring-Fencing functional mailbox - ringfencing@ausnetservices.com.au Information Obtained: - AusNet Services has dedicated legal, regulatory and compliance personnel who monitor and participate in AER consultations regarding the Guideline and in providing the business advice against the terms of Guideline. - AusNet Services' Ring-Fencing Compliance Reporting Manual. - AusNet Services 2018 Annual Ring-Fencing Compliance Report. Tests Performed: - We assessed AusNet Services' business processes for preventing and detecting exception or change against the requirements of the Ring-Fencing Guideline. - We assessed compliance incidents, near misses and breaches reported during the audit period against discussions held and business risk and issues registers. - We reviewed AusNet Services' Ring-Fencing compliance report. - We assessed measures taken by AusNet Services to continually improve the suitability, adequacy and effectiveness of the compliance management program in place against the Guideline.	Based on the control testing performed we have not identified any matters of exception against the obligation, with key point(s) below: AusNet Services has established and are maintaining appropriate internal procedures to ensure it complies with its obligations under the Guideline.	No Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
21	Annual compliance report	6.2.1 (a), (b) (c)	A DNSP must prepare an annual ring-fencing compliance report each regulatory year. The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates: i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline; ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP; and iii. all other services provided by the DNSP in accordance with clause 3.1; and iv. the purpose of all transactions between the DNSP and an affiliated entity. The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.	Discussions held with: - Compliance Manager. - Lead Legal Counsel. Key Control: - AusNet Services 2018 Annual Ring-Fencing Compliance Report. Information Obtained: - AusNet Services 2018 Annual Ring-Fencing Compliance Report. Tests Performed: - We assessed the AusNet Services 2018 Annual Ring-Fencing Compliance Report against the requirements under clause 6.2 and the requirements under the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual. - Deloitte has been engaged as the independent authority to assess compliance in relation to the Guideline.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - AusNet Services has prepared an annual Ring-Fencing compliance report for the 2018 regulatory year, however we have identified that up to 3 of the management commitments from the prior audit report have not been addressed and remain outstanding. To address the observations we recommend the below: - AusNet Services allocate the responsibility of closing out open Ring-Fencing compliance matters to a dedicated team or person. In instances the open items require a long time to address, we recommend that AusNet Services communicate these matters with the AER.	Exception.

No.	Category	Ref.	Guideline Obligation	Testing	Observation	Rating
22	Compliance breaches	6.3	A DNSP must notify the AER in writing within 5 (five) business days of becoming aware of a material breach of its obligations under this Guideline.	Discussions held with: • [REDACTED] Compliance Manager. • [REDACTED] Lead Legal Counsel. • [REDACTED] Senior Regulatory Economist, Regulated and Network Services. Key Control: • AusNet Services 2018 Annual Ring-Fencing Compliance Report. • Enablon – compliance system. • Business attestation against the Guideline. • Ring-Fencing functional mailbox - ringfencing@ausnetservices.com.au Information Obtained: • AusNet Services has dedicated legal, regulatory and compliance personnel who monitor and participate in AER consultations regarding the Guideline and in providing the business advice against the terms of Guideline. • AusNet Services' Ring-Fencing Compliance Reporting Manual. • AusNet Services 2018 Annual Ring-Fencing Compliance Report. • AusNet Services Ring-Fencing for electricity distribution Policy training. Tests Performed: • We assessed AusNet Services' business processes for preventing and detecting exception or change against the requirements of the Ring-Fencing Guideline. • We assessed compliance incidents, near misses and breaches reported during the audit period against discussions held and business risk and issues registers. • We reviewed AusNet Services' Ring-Fencing compliance report. • We assessed the AusNet Services Ring-Fencing for electricity distribution Policy training to confirm their was disclosure on the identification and reporting of breaches. • We assessed measures taken by AusNet Services to continually improve the suitability, adequacy and effectiveness of the compliance management program in place against the Guideline.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: • Whilst the Guideline does not expressly outline what constitutes a material breach, AusNet Services has not documented what would constitute a material breach for AusNet Services. • The AusNet Services Ring-Fencing for electricity distribution Policy training requires updating to accurately reflect the [REDACTED] functional mailbox as the mailbox for compliance matters is currently listed as [REDACTED] which is not monitored for Ring-Fencing matters. • The Guideline specifies that a DNSP must notify the AER in writing within 5 days of becoming aware of a material breach. The AusNet Services breach notification and escalation process and the AusNet Services Ring-Fencing for electricity distribution Policy training does not specify the period required to determine the existence of a breach. To address the observations we recommend the below: • AusNet Services consider and document a view as to what constitutes a material breach for AusNet Services and prepare relevant business communication. • AusNet Services either migrate all Ring-Fencing enquiry to the [REDACTED]	Exception.

4. Independent Assurance Report to the Directors of AusNet Services

Qualified Opinion

We have undertaken a reasonable assurance engagement on AusNet Services' Ring-Fencing Annual Compliance Report's (the "Compliance Report") compliance, in all material respects, with Ring-Fencing Guideline for Electricity Distribution on 30 November 2016 under the National Electricity Rules (the "NER") including amendments made on 17 October 2017 (the "Guideline") as evaluated against the obligations under the Guideline (the "Obligations") for the period from 1 January 2018 to 31 December 2018.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, AusNet Services has complied, in all material respects, with the Guideline as evaluated against the Obligations for the period from 1 January 2018 to 31 December 2018.

Basis for Qualified Opinion

We have identified the following exceptions in controls, which have resulted in non-compliance in relation to the following Obligations (per Section 2):

- Obligation not to discriminate (refer obligation no.6) ;
- Offices, staff, branding and promotions (refer obligation no.7);
- Office and staff registers (refer obligation no.11);
- Protection of confidential information (refer obligation no.12);
- Disclosure of information (refer obligation no.13);
- Annual compliance report (refer obligation no.21); and
- Compliance breaches (refer obligation no.22).

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

AusNet Services Responsibilities

AusNet Services management is responsible for:

- a) Providing a statement with respect to the outcome of the evaluation of the compliance activity against the Guideline, which accompanies this independent assurance report.
- b) The compliance activity undertaken to meet the Guideline;
- c) Identifying risks that threaten the Guideline identified above being met;
- d) Identifying suitable compliance requirements in the Guideline as required by the Australian Energy Regulator (the "AER"); and
- e) Identifying, designing and implementing controls to enable the Guideline to be met and to monitor ongoing compliance.

Our Independence and Quality Control

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

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on AusNet Services' compliance, in all material respects, with the Guideline as evaluated against the Obligations for the period from 1 January 2018 to 31 December 2018. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether AusNet Services has complied, in all material respects, with the Guideline as evaluated against the Obligations, for the period from 1 January 2018 to 31 December 2018.

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

Our procedures included:

- Inquiring with AusNet Services personnel what preventative, detective and corrective controls are in place to allow AusNet Services' to comply with the Obligations;
- Evaluating whether the control is appropriate with consideration given to the competence of the person performing the control, frequency of the control and whether the control allows AusNet Services' to comply with the Obligations;
- Selecting a sample of instances where we would expect the control to be performed, observing the control being performed, and inspect associated documentation to evidence the effectiveness of the control throughout the period;
- Checking that registers are publicly available, accurate and complete by ensuring any staff, office or information sharing and waivers obtained have been appropriately included in the registers. Checking that any inclusions in the registers are factually correct by discussing with management and assessing associated documentation;
- Obtaining transaction listings and testing for appropriate segregation between distribution services and contestable services provided; and
- Inquiring with management whether they are compliant with the Obligations.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Inherent Limitations

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

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

Restricted Use

This report has been prepared for use by AusNet Services for the purpose of meeting the reporting requirements of the AER. We disclaim any assumption of responsibility for any reliance on this report to any person other than AusNet Services, or for any purpose other than that for which it was prepared.

However, we understand that a copy of the report has been requested by AER. We agree that a copy of the report may be provided to AER for their information in connection with this purpose but, as will be made clear in the report, only on the basis that we accept no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement.

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

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Matthew Fraser
Partner
Deloitte Risk Advisory Pty Ltd
Chartered Accountant
30 April 2019
Melbourne

5. Management Response

5.1. Overview

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

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
6	Obligation not to discriminate	4.1(b)	A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of: i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or ii. contestable electricity services by any other legal entity.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: 220 of AusNet Services employees have completed the Ring-Fencing training program, 2170 employees have yet to complete the training. - Employee [REDACTED] who transferred from Mondo to AusNet Services during the audit period has yet to complete Ring-Fencing training.	a) We acknowledge that the records of which teams were in scope for training should be improved. Only employees within teams whereby the Electricity Distribution Ringfencing Guideline apply are required to complete the online training. We do not think it is worthwhile for all employees to complete this training as it does not apply to their roles and responsibilities. We are planning to revise the module and enhance how enrolments are managed by utilising the new Learning Management System (LMS) [REDACTED] which was implemented in Q3 2018). This could not be achieved in the online learning tool where the Ringfencing Module is currently housed (there is a reliance on management to ensure staff completed this specific module). However, in the first half of 2019, AusNet Services has commenced redrafting the module, policy and defining the enrolment policies relating to Electricity Ringfencing. Our intention is to: - Redraft the Module and Policy; - Migrate to the new LMS; - Ensure any new employees (that are in scope for Ringfencing Training) complete it; and - Instil a 12-month refresher training cycle on the content of the module Due Date: 31 July 2019 Owner: [REDACTED] b) [REDACTED] completed the current version of the training as at 26 April 2019. Status: Completed

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
7	Offices, staff, branding and promotions	4.2.1(a)	A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - AusNet Services has reviewed office locations to ensure staff providing direct control services are separated from affiliate staff providing contestable electricity services, however we did not identify a process or consideration in place where movement between sites was being overseen and monitored by the business or a centralised function. - The AER have provided a firm view as part of their Annual 2017 -2018 Compliance report that sharing offices, including amenities, is in breach of the Guideline. At the Beaconsfield site AusNet Services and the affiliated entity share amenities (i.e. the toilet and lunchroom).	a) AusNet agrees with this observation, in order to remedy this, we will: - Include a check list item for the hiring manager to ensure employee access passes are relevant for the staff member's role; and - Perform an annual site access review process specific to locations where employees provide direct control services. Due Date: 31 August 2019 Owner: [REDACTED] b) AusNet Electricity Services had interpreted that an office is a space where employees perform their paid duties (i.e. excludes kitchen facilities). Employees of Mondo and AusNet Electricity Services are located at composite office premises in Beaconsfield (i.e. there is an 'Mondo office' and an 'AusNet Services office' at Beaconsfield). The staff are separated via secure access to their respective offices. There are common kitchen and bathroom facilities on premises. This arrangement is no different to that of our previous compliance review. We do not believe there is a risk of compliance breach as the affiliated staff permanently located at Beaconsfield, are technical trades and administrative staff for contestable metering services and logistics/warehousing functions and there are no related functions performed by the regulated staff members residing at Beaconsfield. Therefore, we are satisfied that it complies with the express requirements and spirit of the Ringfencing Guideline. Nonetheless, we wish to ensure that the AER is comfortable with our interpretation and application of the Guideline's requirements relating to our arrangements at our Beaconsfield premises as we understand that the AER is now cautious of arrangements involving common facilities. Status: In Progress, awaiting consideration from AER

No.	Category	GL ref	Guidance/Obligation	Observations	Management Comment
11	Office and staff registers	4.2.4 (a), (b)	A DNSP must establish, maintain and keep a register that identifies: (a) the classes of offices to which it has not applied; and (b) the nature of the positions (including a description of the roles, functions and duties) of its members and staff and must make the register publicly available on its website.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - Whilst AusNet Services have a Staff Sharing and Site Sharing Register in place, AusNet Services could not confirm or how the wider business were made aware of the registers and who was responsible for updating the registers post the project. - The nature of the positions included in the Staff Sharing Register are not linked to actual position/titles used within the business. - The secondment register provided by HR representatives did not clearly outline the roles of the staff members who were seconded across the business. This made it difficult to confirm if seconded staff were subject to staff sharing.	a) AusNet Services does not agree with this observation. Respectfully, the policy and training both make reference to the staff sharing register. The review and update of the register is the responsibility of HR as per the Quarterly Compliance Task that was distributed and completed (see Appendix 3 of AusNet Services Compliance report). What we did observe through this process is that during 2018, whilst the register was reviewed as per the quarterly attestation task, it was not updated on the published register (i.e. in the document control). The document control on the staff sharing register was updated in December 2018. We think it is reasonable not to republish the register every quarter if there have been no changes. We will only update the published register if there have been changes and to mark an annual review. This is now included in how this compliance task is to be maintained. Status: Closed b) During this review AusNet Services noted that the roles contained on our staff sharing register were ones identified at the conclusion of the Ringfencing project as those that could or might be shared and fell into the categories of 4.2.2(b)i.a, 4.2.2(b)i.b, 4.2.2(b)iii or 4.2.2(d) of the Guideline. During 2018, the roles that were reflected in our published registered were only used by the Regulated Electricity Business. There is no current intention to share them in the future. AusNet Services does have staff that are shared between AusNet Electricity Services and Mondo, however, these are those roles covered by clause 4.2.2(b)i.c, and as per clause 4.2.4(b) do not need to be listed on the published office and staff sharing register. As we have recently undergone an internal restructure, we will be revisiting the content and produce additional resources (i.e. role registers, if necessary) in line with how we see our business applying this rule in 2019. Due Date: 31 July 2019 Owner: [REDACTED] c) We note that we think there is a difference between secondments and shared staff. Secondments at AusNet Service relate to staff moving into another position for a set amount of time given a temporary vacancy (i.e. the incumbent will be going on extended leave), in this respect when a secondment is required there is an application process, offer letter and checks

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
					the hiring manager needs to perform to onboard the staff member. The reporting provided does show which division the seconded staff member was going to (e.g. from "Mondo" to "Regulated Energy Services" etc). We understand that other entities may use their 'secondment' process to capture shared staff (i.e. for short term secondments). AusNet Services does not utilise secondments (or shared staff) in this manner so we understand how this line of testing may have been difficult for the auditors to gain comfort based on what they have observed at other Distributors. By addressing the item in b above, we believe this observation will not be an issue for future reviews. Status: Closed

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
12	Protection of confidential information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential information confidential (b) only use confidential information for the purpose for which it was acquired or generated	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - The definition of confidential information varied across the Privacy Policy, Ring Fencing Policy and Information Security Policy and Controls. - The Information Security Policy and Controls document did not address whether AusNet Services were monitoring large volumes of data or records from systems containing confidential information. - There are no monitoring activities undertaken to determine how often Mondo employees are accessing AusNet systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information without adequate consideration of Ring-Fencing compliance.	a) Our Ringfencing policy (clause 4.8) specifies the definition of confidential information in line with the Guideline's requirements. Not all of what is captured as part of this definition is relevant to Privacy (but there are overlaps). Privacy legislation is focused on the protection of personal information, irrespective of whether such information is otherwise publically available, by contrast, the restrictions in clause 4.3 of the Guideline are not applicable to the extent, for example, such information is personal information and additional requirements apply under the Privacy Act. Our Privacy Policy and the NER apply in relation to the use of that information. In addition, the Information Security Policy specifies that information to be treated as confidential is that which "Unauthorised disclosure of this information to people without a business need for access violates laws and regulations" We believe this adequately captures this need. Conceptually there is no harm with different definitions. As employees we are required to comply with all policies consequently if one policy would restrict the conduct but the other would not, the conduct is still restricted. Status: Closed/ No action required. b) Post this observation being made, we provided Deloitte evidence of reporting in place that addresses this finding. Status: Closed c) SAP Access (the key application where there is risk of where confidential information as defined by the Guideline and policy is contained) is regularly reviewed (this was sighted and tested by Deloitte). We do agree that there is benefit in formalising an annual system access review for additional systems where there may be a potential for confidential information to be housed. Due Date: 31 August 2019 Owner: [REDACTED]

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
13	Disclosure of information	4.3.3 (a)-(g)	A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless: (a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates; (b) the disclosure is required by, or for the purpose of complying with any law; (c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities); (d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer; (e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control;	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - The definition of confidential information varied across the Privacy Policy, Ring Fencing Policy and Information Security Policy and Controls. - The Information Security Policy and Controls document did not address whether AusNet Services were monitoring large volumes of data or records from systems containing confidential information. - There are no monitoring activities undertaken to determine how often Mondo employees are accessing AusNet systems. Without adequate monitoring, there is a risk that staff access IT applications that contain confidential information without adequate consideration of Ring-Fencing compliance.	Refer to comments in previous section.

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
			(f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP (g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.		

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
21	Annual compliance report	6.2.1 (a), (b) (c)	A DNSP must prepare an annual ring--fencing compliance report each regulatory year. The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates: i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline; ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP; and iii. all other services provided by the DNSP in accordance with clause 3.1; and iv. the purpose of all transactions between the DNSP and an affiliated entity. The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: • AusNet Services has prepared an annual Ring-fencing compliance report for the 2018 regulatory year, however we have identified that up to 3 of the management commitments from the prior audit report have not been addressed and remain outstanding.	a) AusNet Electricity Services does not dispute this observation. In relation to the commitments that were not completed by the initial communicated date, these items have had revised due dates and are all due to be completed by 30 June 2019. The detail of our progress to action items are contained in Appendix 4 of our accompanying report. Due Date: 30 June 2019 Owner: [REDACTED]

No.	Category	GL ref	Guidance Obligation	Observations	Management Comment
22	Compliance breaches	6.3	A DNSP must notify the AER in writing within 5 (five) business days of becoming aware of a material breach of its obligations under this Guideline.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: - Whilst the Guideline does not expressly outline what constitutes a material breach, AusNet Services has not documented what would constitute a material breach for AusNet Services. - The AusNet Services Ring-Fencing for electricity distribution Policy training requires updating to accurately reflect the functional [REDACTED] mailbox as the mailbox for compliance matters is currently listed as [REDACTED] which is not monitored for Ring-Fencing matters. - The Guideline specifies that a DNSP must notify the AER in writing within 5 days of becoming aware of a material breach. The AusNet Services breach notification and escalation process and the AusNet Services Ring-Fencing for electricity distribution Policy training does not specify the period required to determine the existence of a breach.	a) As per our response in our report (appendix 4), we have adopted the guidance as per the AER's best practice guideline (which was published after this initial recommendation was made) and deemed it was unnecessary to duplicate this in one of our policies. Status: Closed/ No action required b) AusNet Electricity Services is in the process of updating the Ringfencing training and module. This specific clarification will be addressed in the next iteration of the policy (and training) Due Date: 30 June 2019 Action Owner: [REDACTED] c) AusNet Electricity Services does not agree with this observation. Page 11 of our Ringfencing policy specifies this, as does the online training module. In addition, the compliance reporting calendar (maintained by Compliance as the responsible area for this task) outlines material breaches of the guideline are to be reported within 5 days. Status: Closed/ No action required