



Ausgrid
Australian Energy Regulator
Ring-Fencing Guideline Compliance Report
For the period 1 July 2018 to 30 June 2019

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1. Executive Summary

1.1 Introduction

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 requires functional separation of regulated and competitive business activities to promote competition in the provision of contestable electricity services.

Under clause 6.2.1c of the Guideline, Deloitte has been engaged per the engagement letter between Ausgrid and Deloitte dated 12 September 2019 as the qualified independent authority to provide reasonable assurance that Ausgrid's Ring-Fencing Annual Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline, in all material respects, for the period from 1 July 2018 to 30 June 2019.

1.2 Summary of Findings

The following table summarises observations and recommendations against the Obligations where an exception was identified. The rating of each Obligation has been applied in accordance with *Section 1.3*.

Management responses to the observations and recommendations are included in the Appendix. These do not form part of our report and therefore we do not express an opinion on these.

No.	Guidance Obligation	Results of Testing	Recommendations	Rating	Material Breach
2	3.1 (b) A DNSP may provide distribution services and transmission services, but must not provide other services.	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> Across the audit period Ausgrid continued to share procurement personnel with their affiliate. Under the AER Ring-Fencing Annual 2017 - 2018 Compliance report, AER suggest that procurement personnel have access to confidential information during tenders and that these staff have an opportunity to discriminate in favour of the affiliate using electricity information in their possession. 	To address the results of testing we recommend: <ul style="list-style-type: none"> Ausgrid discuss the use of shared corporate personnel with the AER to ensure the AER are satisfied that Ausgrid are not in conflict with the Guideline. 	Exception.	No.
6	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	Based on the procedures performed we identified matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"> Across the audit period 91 workers across the corporate services and field work functions have yet to complete Ring-Fencing training. This number is based on those who have been flagged as being 60 days overdue and also excludes those considered to be on 	To address the results of testing we recommend the below: <ul style="list-style-type: none"> Management ensure the 3 of workers who have not yet completed the Ring-Fencing training program do so as soon as possible. Priority to be given to seconded staff, if relevant. 	Exception.	No.

No.	Guidance Obligation	Results of Testing	Recommendations	Rating	Material Breach
	<p>the DNSP (whether to itself or to any other legal entity); and / or</p> <p>ii. contestable electricity services by any other legal entity.</p>	<p>extended leave. From the 91 workers, 87 were contracted services.</p> <ul style="list-style-type: none"> Of the 4 workers identified as not having completed the training, 1 worker has since ceased employment which leaves three workers still to complete the training. 			
7	<p>4.2.1 (a)</p> <p>A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.</p>	<p>Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Across the audit period Ausgrid continued to maintain sharing of a common foyer and amenities. Under the AER Ring-Fencing Annual 2017 - 2018 Compliance report, AER have provided that staff of the distributor that have access to electricity information should not share an office with staff of the affiliate. This includes amenities such as kitchens and meeting rooms. 	<p>To address the results of testing we recommend:</p> <ul style="list-style-type: none"> Ausgrid discuss the sharing of a common foyer and amenities with the AER to ensure the AER are satisfied that Ausgrid are not in breach of the Guideline and/or AER's requirements as discussed at the Guideline refresh workshop. 	Exception.	No.
12	<p>4.3.2 (a) (b)</p> <p>A DNSP must: (a) keep confidential information confidential (b) only use confidential information for the purpose for which it was acquired or generated.</p>	<p>Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> The definition of confidential information within the Privacy Policy, the Code of Conduct and Information Sharing Protocol is inconsistent with the definition of confidential information under the Guideline. Inconsistent definitions may cause confusion and staff to mishandle the treatment of confidential information. 	<p>To address the observations we recommend the below:</p> <ul style="list-style-type: none"> Ausgrid form a consistent view of what constitutes confidential information for Ausgrid and reflect across all relevant policies. Where relevant Ausgrid may consider the definition of confidential information under the Guideline across relevant policies. 	Exception.	No.

1.3 Rating Applied

The ratings applied to the results of our testing are defined below based on Deloitte's interpretation of the Guideline. The evaluation of the results of our tests as they relate to the Obligations is based on applying our professional judgement and considering the available facts and circumstances.

No Exception	Requirements of the Obligation have been met with no or only minor improvement opportunities. Any findings noted are considered minor and require routine efforts to correct in the normal course of business.
Exception	The requirements of the Obligation have not been fully met. Findings noted require remedial action.

2. Independent Assurance Report to the Directors of Ausgrid

Opinion

We have undertaken a reasonable assurance engagement on whether Ausgrid's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Ring-Fencing Guideline - Electricity Distribution (the "Guideline") as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2018 to 30 June 2019. The Ring-Fencing Compliance Report will accompany our report, for the purpose of reporting to the Australian Energy Regulator ("AER").

In our opinion, the Ausgrid Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2018 to 30 June 2019.

Basis for Opinion

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

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

Responsibilities of the Directors of Ausgrid

Management is responsible for:

- a) Providing a statement with respect to the outcome of the evaluation of the compliance activity against the requirements of the Guideline, which accompanies this independent assurance report.
- b) Identifying risks that threaten the 6.2.1b of the Guideline identified above being met;
- c) Identifying suitable compliance requirements in the Guideline as required by the AER; and
- d) Identifying, designing and implementing controls to enable the requirements of the Guideline to be met and to monitor ongoing compliance.

Our Independence and Quality Control

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



Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on whether Ausgrid's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2018 to 30 June 2019. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether Ausgrid's Ring-Fencing Compliance Report has been prepared in compliance with 6.2.1a of the Guideline as evaluated against 6.2.1b of the Guideline in all material respects for the period from 1 July 2018 to 30 June 2019.

An assurance engagement to report on the Ausgrid's Ring-Fencing Compliance Report involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the requirements of the Guideline. The procedures selected depend on our judgement, including the identification and assessment of risks of material misstatement in the Ring-Fencing Compliance Report, as evaluated against 6.2.1b of the Guideline.

Our procedures included, but were not limited to:

- Inquiring with Ausgrid personnel about controls are in place to allow Ausgrid to comply with the Obligations;
- On a sample basis, observing the control being performed, and/or inspecting documentation to evidence the design, implementation and effectiveness of the controls;
- Inquiring with management whether they are compliant with the Obligations and corroborating our inquiry with the results of our procedures.

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 July 2018 to 30 June 2019 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 the Directors of Ausgrid for the purpose of meeting the reporting requirements to the AER. We disclaim any assumption of responsibility for any reliance on this report to any person other than Ausgrid, or for any purpose other than that for which it was prepared. However, we understand that a copy of the report has been requested by AER. We agree that a copy of the report may be provided to AER for their information in connection with this purpose but, as will be made clear in the report, only on the basis that we accept no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement.

Limitation of our Work

General Use Restriction

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It is our understanding that the AER may publish a copy of our report on their website. We do not accept responsibility for the electronic presentation of our report on the AER's website. The security and controls over information on the web site is not evaluated or addressed by the independent auditor. The examination of the controls over the electronic presentation of the Ring-Fencing Compliance Report on the AER's web site is beyond the scope of this engagement.

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'A Jaric', with a large, stylized initial 'A'.

Angela Jaric

Partner

31 October 2019, Melbourne

3. Detailed Findings

The descriptions of the tests of compliance that were performed, findings relating to the tests of compliance or particular aspects of the engagement, our recommendations and conclusion of whether there has been a breach of the requirements of the Guideline are described below.

The rating of each Obligation has been applied in accordance with *Section 1.3*.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
1	Legal separation	3.1 (a)	A DNSP must be a legal entity.	<p>Control(s)</p> <ul style="list-style-type: none"> Ausgrid is a Partnership with a current ABN. <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed an ASIC search on Ausgrid using the ACN in the distribution license to establish it is a separate legal entity. We inspected the Ausgrid website https://www.ausgrid.com.au/ to establish it reflected the ACN. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
2	Legal separation	3.1 (b)	A DNSP may provide distribution services and transmission services, but must not provide other services.	<p>Control(s)</p> <ul style="list-style-type: none"> There is a Ring-Fencing training program and associated materials to educate and assist staff to understand their obligations under the Guideline. All staff are required to complete the training. There is a Corporate Services Agreement which demonstrates Ausgrid carries on the business of the distribution and supply of electricity where as an Affiliate, PLUS ES carries on the business of supplying other services. There is a contact centre quality report that highlights 	<p>Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Across the audit period Ausgrid continued to share procurement personnel with their affiliate. Under the AER Ring-Fencing Annual 2017 -2018 Compliance report, AER suggest that procurement personnel have access to confidential information during tenders and that these staff have an opportunity to discriminate in favour of the affiliate 	<p>To address the results of testing we recommend:</p> <ul style="list-style-type: none"> Ausgrid discuss the use of shared corporate personnel with the AER to ensure the AER are satisfied that Ausgrid are not in conflict with the Guideline. 	Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>any ring-fencing related issues when identified</p> <ul style="list-style-type: none"> • Any issues of non-compliance are identified and recorded in the database 'Enablon'. The system triggers follow-ups to responsible persons. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the corporate services agreement to determine whether it satisfied AER's requirements as outlined in the Annual 2017 -2018 Compliance report. • We obtained a sample of 1841 feedback cases received within the audit period and performed the following: <ul style="list-style-type: none"> ○ For 40 feedback cases determine if the feedback cases were received on the basis Ausgrid has not provided contestable services to customers. • We sampled 20 quality assurance management reports to determine if Ausgrid were in breach of the obligation 3.1(b). • We inspected a copy of Ausgrid's Ring-Fencing Breach Register to determine whether reportable breaches contained the following information: <ul style="list-style-type: none"> ○ Date of the breach; ○ Reportable date of the breach; ○ The nature and cause of the breach; ○ Impacts of the breach, and; 	<p>using electricity information in their possession.</p>		

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> ○ Remediation activities to address the breach. 			
3	Separate accounts	3.2.1 (a)	<p>A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.</p>	<p>Control(s)</p> <ul style="list-style-type: none"> • The Cost Allocation Methodology (CAM) as approved by the AER is used to apportion costs to PLUS ES. • The SAP Ausgrid accounting system, contains separate legal entities for recording transactions between Ausgrid and the affiliate. • There is a monthly journal transfer and reconciliation process between Ausgrid and the affiliate. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We reviewed the cost allocation of the affiliate under the Corporate Service agreement during the audit period and performed the following: <ul style="list-style-type: none"> ○ Randomly selected 2 invoices issued by Ausgrid to the affiliate from the sample to determine if the relevant services (as outlined in the corporate services agreement) were invoiced from Ausgrid to the affiliate. • We reviewed the August 2018 and June 2019 internal transfer journal of costs from Ausgrid to the affiliate and validated costs have been transferred to, and paid by, the affiliate in line with the Guideline. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> We inspected the CAM to determine whether it addresses the allocation of costs against Ausgrid and the affiliate respectively. 			
4	Cost allocation and attribution	3.2.2 (a), (b)	<p>A DNSP must allocate or attribute costs to distribution services:</p> <ul style="list-style-type: none"> - in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services. - and must not allocate or attribute other costs to the distribution services it provides. 	<p>Control(s)</p> <ul style="list-style-type: none"> The Cost Allocation Methodology (CAM) as approved by the AER is used to apportion costs to PLUS ES. The SAP Ausgrid accounting system, contains separate legal entities for recording transactions between Ausgrid and the affiliate. There is a monthly journal transfer and reconciliation process between Ausgrid and the affiliate. <p>Tests Performed:</p> <ul style="list-style-type: none"> We reviewed the cost allocation of the affiliate under the Corporate Service agreement during the audit period and: <ul style="list-style-type: none"> Randomly selected 2 invoices issued by Ausgrid to the affiliate to determine if the relevant services (as outlined in the corporate services agreement) were invoiced from Ausgrid to the affiliate. We inspected the August 2018 and June 2019 internal transfer journal of costs from Ausgrid to the affiliate to determine whether costs have been transferred to, and paid by, the affiliate in line with the Guideline. We inspected the CAM to determine whether it 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				addresses the allocation of costs against Ausgrid and the affiliate respectively.			
5	Cost allocation and attribution	3.2.2 (c)	A DNSP must establish, maintain and keep records that demonstrate how it meets cost allocation and attribution Obligations.	<p>Control(s)</p> <ul style="list-style-type: none"> The services agreement for the provision of Corporate Services, Labour Services, Electrical and Fibre and Testing services are used to apportion costs for services provided between Ausgrid and PLUS ES. These costs are invoiced monthly and the invoices paid within the terms of the agreement. There is a monthly journal transfer and reconciliation process between Ausgrid and the affiliate. <p>Tests Performed:</p> <ul style="list-style-type: none"> We reviewed the cost allocation of the affiliate under the Corporate Service agreement during the audit period and performed the following: <ul style="list-style-type: none"> Randomly selected 2 invoices issued by Ausgrid to the affiliate from the sample; Validated that that relevant services (as outlined in the corporate services agreement) were invoiced from Ausgrid to the affiliate. We inspected the August 2018 and June 2019 internal transfer journal of costs from Ausgrid to the affiliate to determine whether costs 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>have been transferred to, and paid by, the affiliate in line with the Guideline.</p> <ul style="list-style-type: none"> We inspected the CAM to determine whether it addresses the allocation of costs against Ausgrid and the affiliate respectively. 			
6	Obligation not to discriminate	4.1(b)	<p>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:</p> <p>i. direct control services by the DNSP (whether to itself or to any other legal entity); and / or</p> <p>ii. contestable electricity services by any other legal entity.</p>	<p>Control(s)</p> <ul style="list-style-type: none"> The contact centre have agent scripting referring to contestable electricity service providers generically (and highlighting that PLUS ES cannot be mentioned specifically). There is a Ring-Fencing training program and associated materials to educate and assist staff to understand their obligations under the Guideline. All staff have completed the training. There is a contact centre quality report that highlights any Ring-Fencing related issues when identified. Any issues of non-compliance are identified and recorded in the database 'Enablon'. The system triggers follow-ups to responsible persons. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected training materials to determine whether they outline the obligation for a DNSP not to discriminate between a related electricity service provider and a competitor. We inspected the Ring-Fencing training register to determine whether required employees have completed the Ring-Fencing training. We sighted that Ausgrid has a ring-fencing email address 	<p>Based on the procedures performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Across the audit period 91 workers across the corporate services and field work functions have yet to complete Ring-Fencing training. This number is based on those who have been flagged as being 60 days overdue and also excludes those considered to be on extended leave. From the 91 workers, 87 were contracted services. Of the 4 workers identified as not having completed the training, 1 worker has since ceased employment which leaves 3 workers still to complete the training. 	<p>To address the results of testing we recommend the below:</p> <ul style="list-style-type: none"> Management ensure the 3 workers who have not yet completed the Ring-Fencing training program do so as soon as possible. Priority to be given to seconded staff, if relevant. 	Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>and sampled 5 business enquiries across the audit period.</p> <ul style="list-style-type: none"> • We inspected Ausgrid contact centre agent scripting used during the audit period and performed the following: <ul style="list-style-type: none"> ○ Randomly selected 2 scripts used by contact centre employees when customers request contestable services and consequently require an accredited service provider ○ To determine whether the script samples are explicit where it is not a fault with Ausgrid network equipment, Ausgrid cannot make further diagnosis or repair and a customer must engage their own contractor. • We obtained a sample of 1841 feedback cases received within the audit period and performed the following: <ul style="list-style-type: none"> ○ selected 40 feedback cases from the sample to determine whether the feedback cases were received on the basis Ausgrid has not provided contestable services to customers. • We inspected a sample of 5 inbound email enquiries (and associated responses) to the Ring-Fencing enquiry email 			

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>inbox for the period to determine whether discriminatory behaviour between a RESP and a competitor was identified and/or reported by the enquiries.</p> <ul style="list-style-type: none"> We inspected training materials to determine whether they contained appropriate content that communicates Ring-Fencing obligations as per the Guideline. We inspected the Ring-Fencing training register to determine if required employees have completed Ring-Fencing training during the audit period. 			
7	Offices, staff, branding and promotions	4.2.1(a)	A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.	<p>Control(s)</p> <ul style="list-style-type: none"> Ausgrid and PLUS ES have separate physical workspaces for staff with work locations restricted through electronic access controls. Ausgrid staff who are loaned to PLUS ES ensure thorough changeover of uniforms, badges, physical branded equipment at the start and cessation of the loans. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected Ausgrid's accommodation plan, to determine whether the affiliate staff are co-located or not with Ausgrid Staff (other than shared amenities) We obtained a sample of physical access records from the access logs of 5 employees (secondees over the audit period) to determine whether they 	<p>Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Across the audit period Ausgrid continued to maintain sharing of a common foyer and amenities. Under the AER Ring-Fencing Annual 2017 -2018 Compliance report, AER have provided that staff of the distributor that have access to electricity information should not share an office with staff of the affiliate. This includes amenities such as kitchens and meeting rooms. 	<p>To address the results of testing we recommend:</p> <ul style="list-style-type: none"> Ausgrid discuss the sharing of a common foyer and amenities with the AER to ensure the AER are satisfied that Ausgrid are not in breach of the Guideline and/or AER's requirements as discussed at the Guideline refresh workshop. 	Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				accessed both Ausgrid and affiliate facilities.			
8	Staff sharing	4.2.2(a)	A DNSP must ensure that its staff involved in the provision or marketing of direct control services are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.	<p>Control(s)</p> <ul style="list-style-type: none"> • Ausgrid has an Encouraging Competition through Ring-Fencing Policy. This policy sets out the responsibilities of staff to comply with the Guideline. • PLUS ES has a Policy - Operating as an affiliated entity to Ausgrid (Ring-Fencing). This policy sets out the responsibilities of staff to comply with the Guideline. • There is a Ring-Fencing training program and associated materials to educate and assist staff to understand their obligations under the Guideline. All staff are required to complete the training. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We sighted the staff sharing register and for each staff member obtained the secondment checklist and compared it to the PLUS ES Induction form and Procedure - Temporary supply of Ausgrid staff to PLUS ES to determine whether all secondment requirements had been completed. • We accessed Ausgrid's customer-facing website to determine if the sharing register was available on Ausgrid's website (noting staff that were seconded during the testing period). 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> We inspected the Ring-Fencing training materials to determine if they accurately describe Ausgrid's obligation to maintain and update the Staff Sharing Register. We inspected the Ring-Fencing training register to determine if required employees have completed Ring-Fencing training during the audit period. 			
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 manner that is contrary to the DNSP's Obligations under this Guideline.	<p>Control(s)</p> <ul style="list-style-type: none"> Ausgrid has a Performance and Recognition Guideline that does not incentivise staff to act contrary to the Guideline. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected training material to determine if they outline the branding requirements as per the Guideline. We inspected current business practices against the corporate scorecard to determine if Ausgrid and PlusES staff are incentivised contrary to the Guideline. We inspected a populated incentive template of 2 Ausgrid seconded staff to determine whether their incentives were contrary to the DNSPs obligations. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	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	<p>Control(s)</p> <ul style="list-style-type: none"> There are Ausgrid brand guidelines and PLUS ES brand guidelines which ensure the separation of branding between the two services. Including a separate PLUS ES Marketing and branding staff. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			<p>service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related electricity service provider are related.</p> <p>ii. must not advertise or promote its direct control services and its contestable electricity services that are not direct control services together (including by way of cross-advertisement or cross-promotion.</p> <p>ii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>	<ul style="list-style-type: none"> • Ausgrid has an Encouraging Competition through Ring-Fencing Policy. This policy sets out the responsibilities of staff to comply with the Guideline. • There is a contact centre quality report that highlights any Ring-Fencing related issues when identified. • We have a dedicated Ring-Fencing email address which is monitored for any internal or external Ring-Fencing queries. • Any issues of non-compliance are identified and recorded in our database 'Enablon'. The system triggers follow-ups to responsible persons. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the process undertaken by Ausgrid in managing the branding of any assets that are used by both a RESP and the DNSP to determine if it guides employees to be compliant with the requirements under the Guideline. • We inspected on a test basis (a sample of 20) customer feedback received (via the Ombudsman and Ausgrid directly) over the audit period to determine whether their customers expressed confusion over the brands when provided with service from Ausgrid staff. • We sampled 20 quality assurance management reports to determine if Ausgrid there were any breaches of the obligation 3.1(b). 			

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<ul style="list-style-type: none"> We inspected a copy of Ausgrid's Ring-Fencing Breach Register to determine whether reportable breaches contained the following information: <ul style="list-style-type: none"> Date of the breach; Reportable date of the breach; The nature and cause of the breach; Impacts of the breach, and; Remediation activities to address the breach. 			
11	Office and staff registers	4.2.4 (a), (b)	<p>A DNSP must establish, maintain and keep a register that identifies:</p> <p>(a) the classes of offices to which it has not applied; and</p> <p>(b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff and must make the register publicly available on its website.</p>	<p>Control(s)</p> <ul style="list-style-type: none"> The Legal, Risk and Compliance team manage the Ring-Fencing registers published on Ausgrid website. GRC team monitoring changes that might trigger the action on requirement. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the Staff and Office Registers to determine if information disclosure is accurate and reflects staff and office sharing. We inspected the monitoring process for regulatory change undertaken by the GRC team to determine whether the registers were being regularly maintained. We inspected the office and staff sharing registers to determine whether they adequately disclosed all 5 staff seconded over the audit period. 	<p>Based on the control testing performed we have not identified any matters of exception, however we have identified a matter of improvement against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Management could include a date of change and version control number to denote the currency of staff sharing registers. 	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
12	Protection of confidential information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential confidential (b) only use confidential information for the purpose for which it was acquired or generated	<p>Control(s)</p> <ul style="list-style-type: none"> Allowable uses of confidential information defined as per Privacy guidelines and documented in relation to data stored in ICT systems, customer records, HR records, financial records. Behaviours related to handling of confidential information defined in Code of Conduct. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected Ausgrid's Privacy and Confidential Information Policy to determine whether there was a clear and consistent definition of what constituted confidential information. We inspected Ausgrid's Privacy Policy to determine whether it sets out that confidential information is kept confidential, and that confidential information is only used for the purpose for which it was acquired or generated. We inspected the system access records of a sample of 2 seconded staff for the period of 1 January 2019 to 31 March 2019 to determine whether there was any access to unauthorised information. We inspected Ausgrid's intranet page is separated from the affiliate to determine whether it allows only Ausgrid staff to view information specific to Ausgrid (a separate intranet has been created for the affiliate). 	<p>Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> The definition of confidential information within the Privacy Policy, the Code of Conduct and Information Sharing Protocol is inconsistent with the definition of confidential information under the Guideline. Inconsistent definitions may cause confusion and staff to mishandle the treatment of confidential information. 	<p>To address the observations we recommend the below:</p> <ul style="list-style-type: none"> Ausgrid form a consistent view of what constitutes confidential information for Ausgrid and reflect across all relevant polices. Where relevant Ausgrid may consider the definition of confidential information under the Guideline across relevant policies. 	Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
13	Disclosure of information	4.3.3 (a)-(g)	<p>A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless:</p> <p>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the disclosure is required by, or for the purpose of complying with any law;</p> <p>(c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer;</p> <p>(e) the disclosure is</p>	<p>Control(s)</p> <ul style="list-style-type: none"> • Behaviours related to handling of confidential information defined in Code of Conduct. • Ausgrid and PLUS ES intranet sites have restrictions on the content to ensure that PLUS ES does not have access to Electricity or Confidential Information. • Ausgrid has a Privacy (Personal Information) Policy. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected the Information Register to determine whether information disclosure is accurate and reflects information sharing. • We inspected the behaviour requirements related to handling of confidential information defined in Code of Conduct and held management conversations to determine how the requirements under the Code of Conduct were monitored. • For all 5 staff seconded over the audit period we inspected their system access records across Ausgrid and the affiliate to determine whether there was any unauthorised access to secure information across Ausgrid whilst on secondment at the affiliate. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			<p>solely for the purpose of providing assistance to another Network Service Provider in response to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control;</p> <p>(f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP</p> <p>(g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>				
14	Information register	4.3.5 (a) - (c)	<p>(a) A DNSP must establish, maintain and keep a register of all:</p> <p>i. related electricity service providers;</p> <p>ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information identified in clause 4.3.4(a), and</p>	<p>Control(s)</p> <ul style="list-style-type: none"> The Legal, Risk and Compliance team manage the Ring-Fencing registers published on Ausgrid website. The GRC team maintain an Information Sharing Register on the website. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the Information Register to determine whether: <ul style="list-style-type: none"> It was in place and that information 	<p>Based on the control testing performed we have not identified any matters of exception, however, we have identified a matter for improvement as follows:</p> <ul style="list-style-type: none"> Management could include a date of change and version control number to denote the currency of the information register. 	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			<p>must make the register publicly available on its website.</p> <p>(b) For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.4(a), the DNSP's information register must:</p> <p>i. identify the kind of information requested by the legal entity; and</p> <p>ii. describe the kind of information requested by the legal entity in sufficient detail to enable other legal entities to make an informed decision about whether to request that kind of information from the DNSP.</p> <p>(c) A legal entity may request that the DNSP include it on the information register in relation to some or all of the kinds of information that the DNSP is required to provide under clause 4.3.4(a), and the DNSP must comply with that request.</p>	<p>disclosure is accurate and reflects recent information sharing.</p> <ul style="list-style-type: none"> ○ It is designed to meet the requirements of the Ring-Fencing Guideline. ○ It is publicly available on the Ausgrid website. 			
15	Conduct of service providers	4.4.1 (a)	<p>A DNSP:</p> <p>(a) must ensure that any new or varied agreement between the DNSP and a service provider, for the</p>	<p>Control(s)</p> <ul style="list-style-type: none"> • Templates approved by Legal to be used for all procurement activities (with Ring-Fencing clauses). • Templates approved by Legal to be used for all 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			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.	<p>procurement activities (with Ring-Fencing clauses).</p> <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected a sample of 10 legally approved agreements executed within the audit period to determine whether the agreements executed during the audit period contained obligations for service providers to adhere to the requirements of the Guideline. We inspected a copy of the FY18 August and FY19 June scorecards to determine whether Ausgrid incentivised their service providers to engage in conduct contrary to the DNSPs Ring-Fencing obligations. 			
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.	<p>Control(s)</p> <ul style="list-style-type: none"> Ausgrid has an annual corporate scorecard that does not incentivise actions contrary to the Guideline. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected a populated incentive template of 2 Ausgrid staff who were seconded to PlusES over the audit period to determine whether the seconded staff were incentivised to engage in conduct contrary to the requirement under the Guideline. We inspected a sample of 10 legally approved agreements executed within the audit period to determine whether the agreements executed during the audit period contained obligations for service providers to adhere 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>to the requirements of the Guideline.</p> <ul style="list-style-type: none"> We inspected a copy of the FY18 August and FY19 June scorecard to determine whether Ausgrid incentivised their service providers to engage in conduct contrary to the DNSPs Ring-Fencing obligations. 			
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)	<p>A DNSP may apply in writing to the AER for a waiver. An application for a waiver must contain all information and materials necessary to support the DNSP's application, including:</p> <p>(a) the Obligation in respect of which the DNSP is applying for a waiver;</p> <p>(b) the reasons why the DNSP is applying for the waiver;</p> <p>(c) details of the service, or services, in relation to which the DNSP is applying for the waiver;</p> <p>(d) the proposed commencement date and expiry date (if any) of the waiver and the reasons for those dates;</p> <p>(e) details of the costs associated with the DNSP complying with the Obligation if the waiver of the Obligation</p>	<p>Control(s)</p> <ul style="list-style-type: none"> Waiver Register published by the AER and linked on Ausgrid's website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Ausgrid's customer-facing website to determine whether a waiver register is publicly available. We inspected the applications in the Waiver Register to determine whether it contained information relating to and supporting Clauses (a) to (h). 	<p>Based on the control testing performed we have not identified any matters of exception, however we have identified a matter for improvement as follows:</p> <ul style="list-style-type: none"> Management could include a date of change and version control number on the waiver register itself to denote the currency of the register. 	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			<p>were refused;</p> <p>(f) the regulatory control period(s) to which the waiver would apply;</p> <p>(g) any additional measures the DNSP proposes to undertake if the waiver were granted;</p> <p>and</p> <p>(h) the reasons why the DNSP considers the waiver should be granted with reference to the matters specified in clause 5.3.2(a), including the benefits, or likely benefits, of the grant of the waiver to electricity consumers.</p>				
18	Waiver register	5.7 (a)	<p>A DNSP must establish, maintain and keep a register of all waivers (including any variation of a waiver) and must make the register publicly available on its website.</p>	<p>Control(s)</p> <ul style="list-style-type: none"> Waiver Register published by the AER and linked on Ausgrid's website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Ausgrid's customer-facing website to determine whether a waiver register is publicly available. We inspected the applications in the Waiver Register to determine whether it contained information relating to and supporting Clauses (a) to (h). 	<p>Based on the control testing performed we have not identified any matters of exception, however we have identified a matter for improvement as follows:</p> <ul style="list-style-type: none"> Management could include a date of change and version control number on the waiver register itself to denote the currency of the register. 	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	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.	Control(s) <ul style="list-style-type: none"> Waiver Register published by the AER and linked on Ausgrid's website. https://www.ausgrid.com.au/Common/Industry/Regulation/Ring-Fencing.aspx Tests Performed: <ul style="list-style-type: none"> We performed a search of Ausgrid's customer-facing website to determine whether a waiver register is publicly available. We inspected the applications in the Waiver Register to determine whether it contained information relating to and supporting Clauses (a) to (h). 	Based on the control testing performed we have not identified any matters of exception, however we have identified a matter for improvement as follows: <ul style="list-style-type: none"> Management could include a date of change and version control number on the waiver register itself to denote the currency of the register. 	There are no recommendations.	No Exception.
20	Maintaining compliance	6.1	A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline.	Control(s) <ul style="list-style-type: none"> Procedure - Temporary supply of Ausgrid staff to PLUS ES which ensures that due process is followed when sharing Ausgrid staff with PLUS ES in accordance with the Guideline exception. Procedure - PLUS ES Accommodation and Security. This procedure addresses the accommodation and security for PLUS ES to ensure compliance with the Guideline. Ausgrid has an Encouraging Competition through Ring-Fencing Policy. This policy sets out the responsibilities of staff to comply with the Guideline. Tests Performed: <ul style="list-style-type: none"> We inspected the draft annual Ring-Fencing compliance report against the 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>requirements under clause 6.2 to determine if the report adheres to the requirements under the AER Electricity Distribution Ring-Fencing Guideline – Compliance reporting best practice manual.</p> <ul style="list-style-type: none"> • We inspected a copy of Ausgrid’s Ring-Fencing Breach Register to determine whether reportable breaches contained the following information: <ul style="list-style-type: none"> ○ Date of the breach; ○ Reportable date of the breach; ○ The nature and cause of the breach; ○ Impacts of the breach, and; ○ Remediation activities to address the breach. • We inspected Ausgrid’s breach materiality classification to determine whether its suitability for supporting employees with maintaining compliance with the obligations. • We inspected a sample of 5 emails sent to Ausgrid’s Ring-Fencing functional mailbox to determine the types of enquiries made by employees and the responses provided to employees to support maintaining compliance with the obligations. 			
21	Annual compliance report	6.2.1 (a), (b) (c)	<p>A DNSP must prepare an annual ring--fencing compliance report each regulatory year.</p> <p>The annual</p>	<p>Control(s)</p> <ul style="list-style-type: none"> • GRC team maintains a Non-compliance / Breach Register who also notifies the regulator within the required timeframes. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			<p>compliance report must identify and describe, in respect of the regulatory year to which the report relates:</p> <p>i. the measures the DNSP has taken to ensure compliance with its Obligations under this Guideline;</p> <p>ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP; and</p> <p>iii. all other services provided by the DNSP in accordance with clause 3.1; and</p> <p>iv. the purpose of all transactions between the DNSP and an affiliated entity.</p> <p>The annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.</p>	<ul style="list-style-type: none"> Regulatory reporting calendar established and monitored by GRC team. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected a copy of Ausgrid’s Annual Compliance Report 2017/18 to determine if it addresses points (i) to (iv). We inspected a copy of Ausgrid’s Ring-Fencing Breach Register to determine if reportable breaches contained the following information: <ul style="list-style-type: none"> Date of the breach; Reportable date of the breach; The nature and cause of the breach; Impacts of the breach, and; Remediation activities to address the breach. We inspected Ausgrid’s breach materiality classification to determine its suitability for supporting employees with maintaining compliance with the obligations. 			
22	Compliance breaches	6.3	<p>A DNSP must notify the AER in writing within 5 (five) business days of becoming aware of a material breach of its Obligations under this Guideline.</p>	<p>Control(s)</p> <ul style="list-style-type: none"> GRC team maintains a Non-compliance / Breach Register who also notifies the regulator within the required timeframes. Ausgrid has an Encouraging Competition through Ring-Fencing Policy. This policy sets out the responsibilities 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>of staff to comply with the Guideline.</p> <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected a copy of Ausgrid's Ring-Fencing Breach Register for reportable breaches and identification of the reporting date of the breaches being within the acceptable mandated window to determine whether breaches and/or near misses were captured during the audit period. • We inspected the reported compliance breaches during the audit period against feedback received by customers via the call centre and Ombudsman to determine whether the breaches were considered and subsequently reported in accordance with the Guideline. 			

Management Response(s)

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

No.	Category	Ref.	Guidance Obligation	Results of Testing	Rating	Material Breach	Management Comment
2	Legal separation	3.1 (b)	A DNSP may provide distribution services and transmission services, but must not provide other services.	<p>Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Across the audit period Ausgrid continued to share procurement personnel with their affiliate. Under the AER Ring-Fencing Annual 2017 -2018 Compliance report, AER suggest that procurement personnel have access to confidential information during tenders and that these staff have an opportunity to discriminate in favour of the affiliate using electricity information in their possession. <p>To address the results of testing we recommend:</p> <ul style="list-style-type: none"> Ausgrid discuss the use of shared corporate personnel with the AER to ensure the AER are satisfied that Ausgrid are not in conflict with the Guideline. 	Exception.	No.	<p>Ausgrid is compliant per clause 3.1(d) of the Ring-fencing Guideline. Moreover, the Guideline’s intention was not to seek to remove ‘economies of scale’ as per its Explanatory Statement of October 2017. The Procurement service our corporate service agreement covers is for common activities which are not confidential, such as stationary orders.</p> <p>A separate dedicated PLUS ES procurement staff member is in place that is segregated from the Ausgrid offices and only works on PLUS ES procurement activities.</p> <p>Ausgrid will continue to work with the AER, including providing input to the development of revised ring-fencing guidelines aimed at providing greater clarity of requirements.</p>
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	<p>Based on the procedures performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Across the audit period 91 workers across the corporate services and field work functions have yet to complete Ring-Fencing training. This number is based on those who have been flagged as being 60 days overdue and also excludes those considered to be on extended leave. 	Exception.	No.	<p>Ausgrid takes this obligation seriously and the requirement to not to discriminate has been completely met. To enable this, Ausgrid educates its staff regarding ring-fencing rigorously.</p> <p>Ausgrid has also implemented a comprehensive ring-fencing awareness campaign through policies, procedures, system updates, management meetings, targets team briefs, electronic media, posters,</p>

No.	Category	Ref.	Guidance Obligation	Results of Testing	Rating	Material Breach	Management Comment
			<p>(whether to itself or to any other legal entity); and / or</p> <p>ii. contestable electricity services by any other legal entity.</p>	<p>From the 91 workers, 87 were contracted services.</p> <ul style="list-style-type: none"> Of the 4 workers identified as not having completed the training, 1 worker has since ceased employment which leaves 3 workers still to complete the training. <p>To address the results of testing we recommend the below:</p> <ul style="list-style-type: none"> Management ensure the 3 workers who have not yet to complete the Ring-Fencing training program do so as soon as possible. Priority to be given to seconded staff, if relevant. 			<p>introductory training and 4 more specific detailed training modules.</p> <p>Training our staff on this obligation is one of our many compliance controls to ensure this obligation is not breached. There has been over 7,400 instances of staff and contractors completing training across the four ring-fencing training modules we have implemented. Only 0.04% have missed one module of training out of four.</p> <p>Of the 3 workers requiring training, none were seconded staff nor in high risk ring-fencing positions. While there is no evidence on non-compliance, Ausgrid will undertake to ensure training is completed by all relevant works per its standard management protocols and practice.</p>
7	Offices, staff, branding and promotions	4.2.1(a)	<p>A DNSP must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.</p>	<p>Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Across the audit period Ausgrid continued to maintain sharing of a common foyer and amenities. Under the AER Ring-Fencing Annual 2017 -2018 Compliance report, AER have provided that staff of the distributor that have access to electricity information should not share an office with staff of the affiliate. This includes amenities such as kitchens and meeting rooms. <p>To address the results of testing we recommend:</p> <ul style="list-style-type: none"> Ausgrid discuss the sharing of a common foyer and amenities with the AER to ensure the AER are satisfied that Ausgrid are not in breach of the Guideline and/or AER's 	Exception.	No.	<p>Ausgrid is compliant with this requirement of the Guideline. Ausgrid use offices that are separate from any of PLUS ES offices per clause 4.2.1(a) being a DNSP must use office separate from which a RESP provides contestable services.</p> <p>In our active participation with AER's revision of the Guideline, definition of 'office' is one of the key items being discussed; for all intents and purposes we are compliant with the current requirements as well as the intent, of the rules.</p> <p>The Separation Procedure applies to all Ausgrid and PLUS ES staff, is adopted by Ausgrid's Strategic Property branch, and forms the basis for allocating offices to PLUS ES staff. The primary focus is to understand and manage the sites where Ausgrid and PLUS ES staff are co-located, specifically noting:</p>

No.	Category	Ref.	Guidance Obligation	Results of Testing	Rating	Material Breach	Management Comment
				<p>requirements as discussed at the Guideline refresh workshop.</p>			<ul style="list-style-type: none"> where the Guideline provides for exceptions under clause 4.2.1(b)1; and the risk level of the co-located sites. That is, certain co-located sites have nil or low risks due to there only being minimal shared amenities (which pose no greater risk of sharing of Electricity Information than other situations such as outside the building or on public transport). <p>To monitor compliance with the Separation Procedure and therefore the Guideline, Ausgrid's Governance, Risk and Compliance team has initiated an analysis which forms a risk heat map of perceived versus actual risks associated with co-located sites.</p> <p>Extra controls have been put in place to mitigate any perceived inherent risks. The overarching obligations not to disclose Confidential Information and not to discriminate in favour of PLUS ES are at the heart of all of Ausgrid's operations.</p> <p>Ausgrid will continue to work with the AER, including providing input to the development of revised ring-fencing guidelines aimed at providing greater clarity of requirements.</p>
12	Protection of confidential information	4.3.2 (a) (b)	<p>A DNSP must: (a) keep confidential information confidential (b) only use confidential information for the purpose for which it was acquired or generated</p>	<p>Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> The definition of confidential information within the Privacy Policy, the Code of Conduct and Information Sharing Protocol is inconsistent with the definition of confidential information under the Guideline. Inconsistent definitions may cause confusion and staff to mishandle the treatment of confidential information. 	Exception.	No.	<p>Ausgrid has defined electricity information and confidential information per the Ring-fencing Guideline in its Policy - Encouraging competition through ring-fencing; the basis for all ring-fencing training provided to staff.</p> <p>Ausgrid Privacy Policy, Procedure – Information classification, labelling and handling and Code of Conduct</p>

No.	Category	Ref.	Guidance Obligation	Results of Testing	Rating	Material Breach	Management Comment
				<p>To address the observations we recommend the below:</p> <ul style="list-style-type: none"> Ausgrid form a consistent view of what constitutes confidential information for Ausgrid and reflect across all relevant polices. Where relevant Ausgrid may consider the definition of confidential information under the Guideline across relevant policies. 			<p>follow the fundamental principles of confidential information prescribed by Federal Privacy laws, which support the ring-fencing Guideline principles and more importantly are not in conflict. Ausgrid will update the Code of Conduct to refer to its ring-fencing policy.</p> <p>Ausgrid has also been proactively engaged with the AER on what confidential information should be subject to ring-fencing obligations (i.e. Sensitive Electricity Information) to enable further clarify across the industry. We will continue to work with the AER, including providing input to the development of revised ring-fencing guidelines aimed at providing greater clarity of requirements.</p>