2019/20
Ring-fencing Compliance Report

Ausgrid

Contents

Overview

The Ring-fencing Guideline – Electricity Distribution (the **Guideline**) requires each Distribution Network Service Provider (**DNSP**) to prepare an annual ring–fencing compliance report each regulatory year. Ausgrid Operator Partnership (ABN 78 508 211 731) (**Ausgrid**) is a DNSP, and this document (**Report**) has been prepared in compliance with clause 6.2 of the Guideline and other applicable provisions.

The regulatory year for this Report is 1 July 2019 to 30 June 2020 (**FY20**).

Clause 4.1.1 of the AER Electricity Distribution Ring–Fencing Guideline – Compliance reporting best practice manual Version 2 dated July 2019 requires meaningful compliance reporting. That is, the AER "encourage[s] DNSPs to adhere to the following principles when writing their annual compliance reports:

- Report on specific measures, areas of the business, or challenges, rather than describing compliance measures in general, vague, or abstracted terms.
- Hone in reporting on areas of the business that carry greater risk of breaches of the Guideline or which have experienced breaches over the course of the regulatory year and focus reporting on those areas.
- Avoid jargon and technical language where possible and keep compliance reporting clear and as 'plain English' as possible".

This Report has been prepared having regard to these principles.

Capitalised terms used in this Report, which are not otherwise defined in this Report, have the meaning given to them in the Guideline or the National Electricity Rules.

If the AER has any questions or requires clarification on any aspect of this document, please do not hesitate to contact:

Nigel Lowry
General Counsel & Company Secretary
Email: nigel.lowry@ausgrid.com.au
Phone: (02) 9269 2941

Introduction

The purpose of the Report is to identify and describe, in respect of the regulatory year **FY20**:

i.   the measures Ausgrid has taken to ensure compliance with the provisions of the Guideline;

ii. any breaches of the Guideline by Ausgrid, or which otherwise relate to Ausgrid;

iii. all 'other services' provided by Ausgrid in accordance with clause 3.1; and

iv. the purpose of all transactions between Ausgrid and its affiliated entity, PLUS ES Partnership (ABN 30 179 420 673) (**PLUS ES**).

In addition to the above and to further expand on the compliance measures, the report does 'deep dives' into some of the key focus areas:

A. Legal Separation:
    i.   Cost Allocation Method (CAM)

B. Functional separation:
    i.   Discrimination;
    a.   office sharing and staff sharing; and
    b.   branding and cross–promotion;

C. Engagement with the Regulator on the development of the Guideline and the ring–fencing registers.

The above key focus areas have been derived by keeping Ausgrid's purpose, vision and values at the forefront, while recognising the:

·   comments provided in the AER 2018-19 Annual Compliance Report (**AER Report**) on the Electricity Distribution Ring-fencing Guideline dated 14 April 2020;

·   breaches of the Guideline which occurred as a result of storm related events (itemised in detail in section 3 of this Report) (**FY20 Storm Incidents**);

·   the exceptions and recommendations our auditor, Deloitte, made as a result of the independent assessment carried out in 2019 (**FY19 Independent Assessment**); and

·   subsequent correspondence between Ausgrid and AER in July 2020.

AUSGRID'S CORE VALUES

Work safe, live safe	Customer–focused	Commercially minded	Collaborative	Honest and accountable	Respect

The Report – In Focus

Topic/ Requirement	Summary to Topic/Requirements	Where to find in this report
Breaches	1. Ausgrid had six breaches in FY20 as a result of storm responses with the first priority given to restoring customer supply, consistent with Ausgrid values.	Section 1

Compliance Measures	During FY20, Ausgrid focused on the following high-risk areas:
	1. Legal separation
	2. Discrimination
	   – staff sharing
	   – physical separation
	
	Significant compliance efforts were made to ensure continued momentum of a robust compliance culture across the organisation:
	
	i. Additional controls were introduced and implemented;
	ii. priority given to optimisation and digitisation of critical controls;
	iii. an increase in second line of defence activities;
	iv. greater communication with internal and external stakeholders on expectations;
	v. introduction of periodic reporting
		Section 2

Independent assessments	During FY20, Ausgrid was independently assessed twice in relation to its ring-fencing compliance obligations. Both audits deemed Ausgrid to be in compliance with the Guideline, however had the following results:
	
	1. Deloitte FY19 Independent Assessment
	   – Four exceptions
	
	2. Internal Audit Compliance Review
	   – 21 improvement recommendations
	
	Ausgrid was successful in implementing all recommendations from the two audit reports with the exception of one, which has been materially addressed (detailed below).
		Section 3

Other Services	Ausgrid continues to provide other services in accordance with clause 3.1	Section 4
Purpose of transactions with PLUS ES	Ausgrid's transactions with PLUS ES fall within the following four service categories: 1. Metering related (Alternate Control Services) 2. Metering related (Standard Control Services) 3. Electrical and Fibre Services 4. Testing services	Section 5

1. Breaches

In line with Ausgrid's values, Ausgrid utilises its Compliance Management Framework (the **Framework**) to establish a reporting mechanism that allows it to escalate ring-fencing related issues.

The Framework outlines numerous ways in which compliance breaches are identified, including but not limited to:

- internal compliance reviews that are undertaken in respect of Ausgrid's obligations under the Guideline;
- employees being able to notify the Governance, Risk and Compliance team (**GRC**) of any compliance breaches and 'near misses'. This is done via uploading it directly in Enablon or emailing to dedicated ring-fencing inbox and/or Senior Compliance Analyst, GRC; and
- feedback from customers, contractors, suppliers and the general public.

We have communicated and encouraged staff to report breaches of the Guideline or raise compliance concerns, for example, through Ausgrid's Encouraging Competition Through Ring-Fencing Policy, internal communications and training programs.

Once a breach or 'near miss' is reported to GRC, the incident is reviewed to:

- verify the validity of the claim;
- identify whether a breach has in fact occurred;
- identify where a breach had occurred and collate further documentation for breach reporting purposes;
- investigate why the breach occurred; and
- raise actions for relevant staff and/or management to implement in response to the breach (and to prevent future breaches of that nature from occurring).

During FY20, GRC received and investigated approximately twenty issues, incidents or potential non-compliances. Six of these were identified as breaches of the Guideline and disclosed to the AER.

1.1 Storm response breaches

Ausgrid's six breaches of the Guideline were as a result of Ausgrid responding to severe storms; consistent with Ausgrid core values of Work Safe, Live Safe and Customer-focused.

1.1.2 December 2019 storms

Clause of Guideline breached	Breach date	Nature of reported material breach
3.1 (b)	2/12/2019	An accredited service provider (**ASP**), acting on behalf of Ausgrid during a severe storm response in December 2019 replaced the service of an elderly resident and reconnected the customer. Ausgrid was informed after the works had been completed.

As reported to the AER, the ASP had been part of the storm response team and was requested by Ausgrid to perform repair or replacement work at a damaged service wire. During the visit the ASP was advised by a neighbour that the resident was an elderly woman with a medical condition and equipment (who was not present at the time). Unbeknown to Ausgrid, however, consistent with our values of health

and safety of the elderly customer, the ASP proceeded to perform works on the 2 bays of private overhead consumer's mains (3 phase service). Since then, notifications have been sent to the ASP to remind our ring-fencing obligations as a DNSP which extend to them when they are acting on our behalf.

1.1.3 February 2020 storms
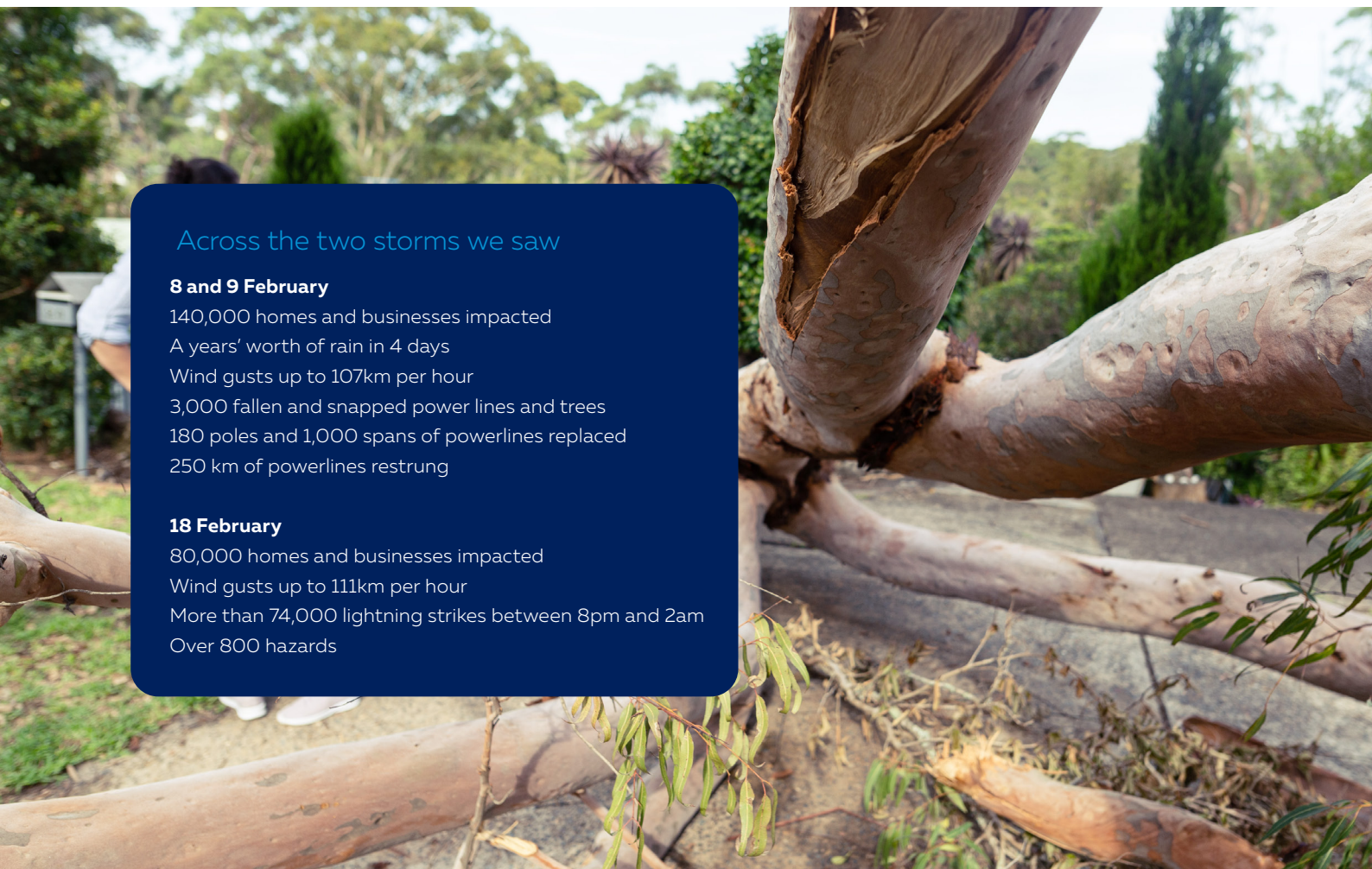
Across the two storms we saw

8 and 9 February
140,000 homes and businesses impacted
A years' worth of rain in 4 days
Wind gusts up to 107km per hour
3,000 fallen and snapped power lines and trees
180 poles and 1,000 spans of powerlines replaced
250 km of powerlines restrung

18 February
80,000 homes and businesses impacted
Wind gusts up to 111km per hour
More than 74,000 lightning strikes between 8pm and 2am
Over 800 hazards

In early February 2020, the northern suburbs in Ausgrid's network area were hit with severe storm activity following an east coast low. Ordinarily, for any work that does not fall within the scope of network services and in particular, contestable electricity works, Ausgrid would provide each affected customer with our standard A.460 form to provide the customer with guidance on how to get their supply restored when damages to electrical infrastructure extend into the customer's area of responsibility.

As time progressed past the fifth and sixth days of the storm response, it became clear that the ASP/2 market was saturated with work. ASP/2s withdrew their services from Ausgrid and customers were also finding it very difficult to obtain ASP/2 services for their repairs.

On the seventh day after the storm event, several customers were still without supply. As result and after due consideration, Ausgrid's senior management decided to approve the repair of five customers' installations. This was principally to assist these hard-hit customers and reduce the level of customer stress associated with being told (at this late stage) that they would have to go to the end of the work queue of the entire ASP/2 contractor base.

To conduct these works, Ausgrid chose to utilise its affiliate, PLUS ES, as its contractor, because of the difficulty of finding an ASP/2 to perform the work. Given the relatively minor number of tasks (compared to the body of work that was being executed at the time) the implications to the market was negligible.

The five customer repairs undertaken by PLUS ES are outlined in the table below. Given the minimal impact on the market these five breaches were considered non-material.

Clause of Guideline breached	Breach date	Nature of reported material breach
3.1 (b)	17/2/2020	Customer was without supply from 09/02 due to a tree bringing down service wires and distributor wires. Found slack on Consumer mains in roof space as they had been cut by owner. Re connected in HSC connectors. Ausgrid strung a new service. Conducted testing.
3.1 (b)	18/2/2020	Customer was without supply from 09/02. Distributor wires down across road. Installed a new Point of attachment (POA) for a 200A service. Conducted testing.
3.1 (b)	18/2/2020	Customer reported supply lost 10/02. Cut away by Ausgrid due to flooding – customer did not want to be cut away. Customer advised of requirements for re-energisation on 11/02. Job closed out on same day Conducted testing. Ausgrid strung new service.
3.1 (b)	20/2/2020	POA structure damaged on 13/02 and required replacement. Supply not lost, but action required for Safety. Installed new POA. Ausgrid strung a new service.
3.1 (b)	20/2/2020	Live wires had fallen in front of customers house on 18/02 causing loss of supply. Installed new POA, Con Mains, Barge Fuse, Service Fuse, Service Neutral. Conducted testing.

2. Compliance with the Guideline

2.1. Culture of compliance

Since the establishment of the Guideline, our understanding of the Guideline's requirements and our ring-fencing compliance culture has matured considerably. This has been assisted by ongoing guidance from the AER through its annual compliance reports. In particular, during FY20 Ausgrid has observed:

- increased staff awareness regarding each employee's obligations under the Guideline;
- ring-fencing compliance being tabled in any new initiatives or changes to existing practices and systems;
- staff engaging with the Legal and GRC teams to ensure compliance with the Guideline; and
- significant decrease in breaches or potential breaches of the Guideline.

2.2. Compliance measures

Ausgrid adopts a comprehensive and pragmatic compliance program to ensure all regulatory and legislative requirements are met. Ausgrid's GRC utilises the Framework which establishes appropriate protocols for all compliance and risk activities within the business.

The Guideline is one of the key regulatory compliance priorities within that Framework, which is managed by GRC with the assistance of a compliance management solution, Enablon and other functional areas of the business, including Legal and Strategy & Regulation.

The Framework

Obligations
identifies compliance and risk activities that are, for example, associated with legislative and/or regulatory obligations (**Compliance Activity**)

Responsibility
allocates the responsibility for each Compliance Activity to an individual at senior management level

Citations
breaks down the Compliance Activity into citations with each citation being allocated a Subject Matter Expert (**SME**)

Attestation
is attested to annually by GRC, which also regularly monitors, investigates and corrects controls to ensure compliance of and business attestations against each Compliance Activity

Controls
identifies a control in respect of each citation with which the relevant SME must comply

Appendix A provides a full set of controls and measures (i.e from Ausgrid's controls register) that Ausgrid has implemented to demonstrate compliance with the obligations of the Guideline for the focus areas outlined in this report.

During FY20, Ausgrid undertook numerous activities which further strengthened its ring-fencing compliance program. These include (but are not limited to):

1. participating in an internal audit carried out by KPMG;

2. updating Ausgrid's ring-fencing training module to focus on high risk areas, clarify Ausgrid and its staff's compliance obligations and simplify language;

3. revising internal policies and procedures to increase cross-referencing of key controls required to comply with and clarify the intent of the Guideline;

4. emphasising the consequences of non-compliance with the Guideline for Ausgrid and its staff; and

5. utilising Enablon to lift control design and operational effectiveness testing to in turn support the risk-assessment of ring-fencing material risk.

2.3. Legal Separation

Clause 3.1 of the Guideline permits Ausgrid to provide distribution services and transmission services but prohibits it from providing 'other services'. Accordingly, legal separation is achieved through Ausgrid's affiliated entity, PLUS ES, which is also defined in the Guideline as Ausgrid's 'Related Electricity Service Provider' (**RESP**). With the exception of clause 3.1(d) of the Guideline (as outlined in section 4 of this Report), PLUS ES provides all 'other services'. This approach is illustrated in **Figure 1**.

Figure 1: Legal Separation at Ausgrid
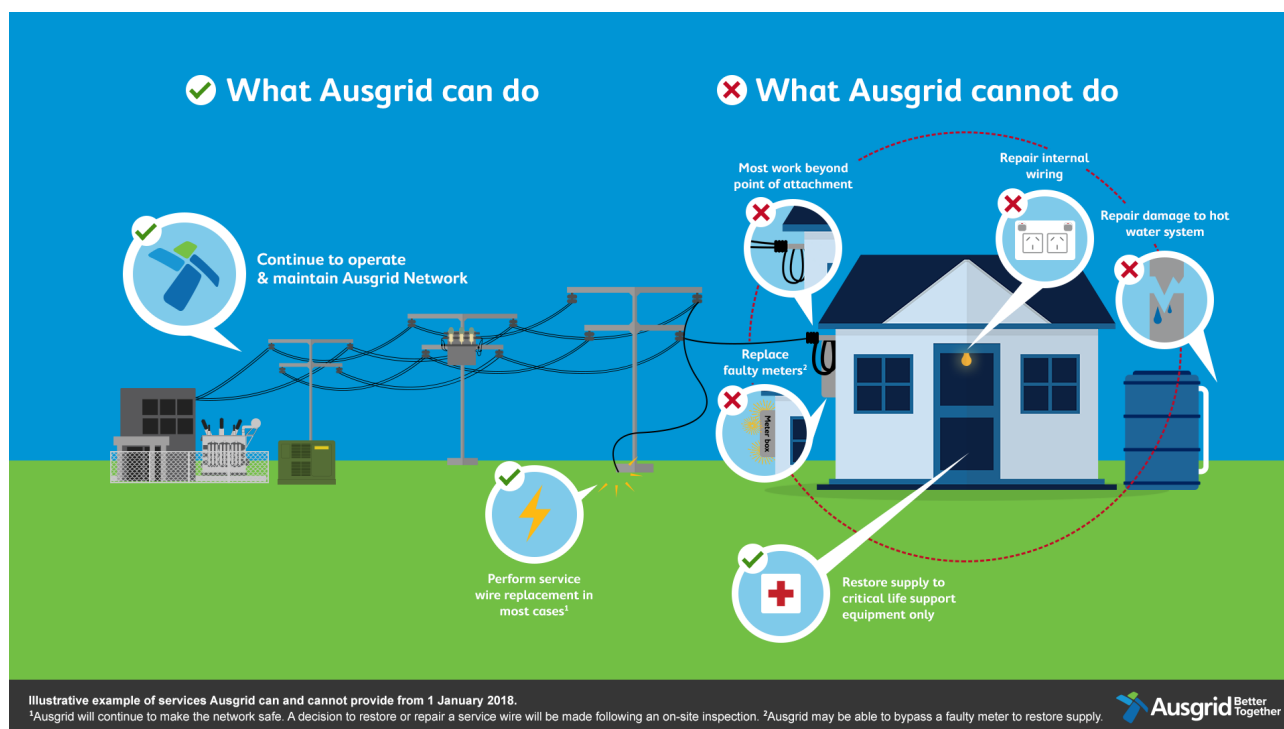
For clarity, pursuant to the Guideline and the AER 2019 Determination, Ausgrid performs minor repair works where the duration of the work performed is less than 30 minutes and consistent to our values, performs services to vulnerable customers. There are established protocols embedded within the organisation to ensure due process is followed and appropriate record keeping occurs when undertaking such other services, as outlined in section 4 of this Report.

2.3.1 Cost Allocation Method

Ausgrid maintains a clearly distinguishable CAM which attributes costs to either Ausgrid or PLUS ES. The CAM is AER–approved and is reviewed annually to ensure it remains compliant with the Guideline.

Ausgrid implemented controls to ensure that its CAM complies with the Guideline. These controls are implemented by a Corporate Services Agreement (**CSA**) between Ausgrid and PLUS ES and range from:

undertaking an annual review of cost allocators and allocation methodology, including the businesses shared costs and corporate overheads

using Ausgrid's accounting system, SAP, which identifies separate legal entities for the purposes of recording transactions between Ausgrid and PLUS ES

maintaining monthly journal transfer and reconciliation processes between Ausgrid and PLUS ES and

utilising dedicated Ausgrid accounting and finance personnel who ensure that the CAM meets the AER Cost Allocation Guideline, is pragmatically applied, and that the clear separation of accounts between Ausgrid and PLUS ES is maintained

2.4 Functional Separation

2.4.1 Discrimination

Ausgrid is committed to complying with its obligation not to discriminate in favour of PLUS ES by implementing robust compliance controls and measures as an integral part of its processes and business culture.

Ausgrid's GRC performs the second line of defence in respect of compliance controls and risk management and continues to identify and implement improvement initiatives to ensure continued compliance with the Guideline.

The following identifies some of the activities undertaken in FY20, which emphasises Ausgrid's commitment to not to discriminate in favour of PLUS ES:

1 Training update

Updating Ausgrid's ring-fencing training module to focus on high risks areas, clarify its obligations under the Guideline and simplify language

2 Greater monitoring

introducing new monitoring practices as part of Ausgrid's first line and second line of defence strategy, such as an increase in control testing/reporting and greater GRC monitoring and investigations

3 Focused control design

realigning control design testing in our attestations in Enablon, line with Ausgrid's risk management principles

4 Policy and Procedure refresh

uplifting Ausgrid's policies, procedures and factsheets to clarify the intent and obligations of the Guideline

5 Manage perception

giving consideration to the "perception" of discrimination in circumstances where discrimination is not and unlikely to take place

6 Greater communication

increasing internal communication to staff in relation to high risk topics via innovative mediums such as the employee collaboration tool, Yammer

7 Potential consequences

communicating to staff about the potential consequences associated with non-compliance of the Guideline. This includes potential consequences on Ausgrid by AER as well as the possible actions management may take for a staff member neglecting their obligations including, the taking of disciplinary action

2.4.2 Physical separation / co-location

Ausgrid continues to apply the controls and measures it implemented during FY19 i.e., Ausgrid's Procedure – PLUS ES Accommodation and Security (**the Separation Procedure**) and its accommodation analysis heatmap (**Heatmap**).

The Separation Procedure applies to all Ausgrid and PLUS ES staff, is adopted by Ausgrid's Strategic Property Business Unit and forms the basis for the management and allocation of Ausgrid offices to PLUS ES staff.

In addition to the Separation Procedure and Heatmap, GRC has worked with the operational areas of the business to establish periodic reporting that allow Ausgrid to identify any anomalies contained within its site door access logs and user access rights. Reports are generated by the central Security Operations team on a quarterly basis and submitted to GRC for review and identification of any anomalies. These are further investigated and where required, actions implemented including, for example, discussions with relevant staff and/or implementing system/process corrections.

2.4.3 Staff sharing

Compliance with staff sharing obligations is one of Ausgrid's highest priorities, and is managed utilising robust systems and processes. In addition to the controls and practices implemented during FY19 (including the establishment of Ausgrid's Procedure – Temporary supply of Ausgrid staff to PLUS ES (**Staff Sharing Procedure**), Ausgrid has further enhanced its compliance initiatives in respect of staff sharing by implementing innovative solutions such as:

- smart tools with inbuilt scripts in our HR systems, which identify staff movements and automatically set up system access rights in accordance with pre-determined rules established by Ausgrid, for the duration of each staff sharing arrangement;

- the Data Leakage Prevention (**DLP**) is a detective control that alerts the Cyber Security Operations Centre that data matching specified rules has been shared inappropriately internally between Ausgrid and PLUS ES as well as external entities;

- heightened cyber protection to ensure the protection of confidential information.

Ausgrid has also revised its Staff Sharing Procedure to include cross references to other controls that have been implemented, such as on-loan checklists and ongoing GRC team intervention.

During FY20, GRC established its presence as a critical second line of defence with periodic spot-checks of staff sharing arrangements being facilitated by the business to ensure compliance with the Guideline, and Ausgrid's internal policies and procedures. All staff sharing arrangements are managed by the relevant business area in consultation with Human Resources and GRC and support from the Legal team (as required).

Ausgrid is therefore confident that compliance with this obligation has been achieved.

2.4.4 Branding and cross promotion

Ausgrid has continued to maintain separation of branding for Ausgrid and PLUS ES, with each business having its own branding guidelines and marketing campaigns. The following are some examples where the separation of branding has taken place:

external websites

internal websites i.e. intranet

all letterheads and templates –

external and internal, including the External Partner Code of Conduct

user desktops

including those of Ausgrid staff temporarily loaned to PLUS ES

ID cards

uniforms (where applicable) and related materials and

field vehicles and related equipment

Ausgrid has implemented processes to ensure that branding separation continues, including when Ausgrid staff are loaned to PLUS ES in accordance with the Guideline and supported by Ausgrid's Staff Sharing Procedure. For example, Ausgrid has implemented checklists which mandate the changeover of Ausgrid and PLUS ES uniforms, badges, ID cards etc at the beginning and cessation of each loan period. These checklists are prepared and approved by the relevant manager and spot checks are performed by Operations team and GRC as a second line of defence.

One of the most critical aspects of ring-fencing compliance efforts at Ausgrid is to circumvent any forms of cross promotion of PLUS ES, particularly in the contestable electricity services market. Communications with staff, as well as training modules, emphasise the obligation not to promote or refer work to PLUS ES. Further training is also provided to Ausgrid's:

· Contact Centre leaders and staff, who are also provided with scripts which clearly advise staff not to mention or refer work to PLUS ES;

· Field staff, particularly in respect of their dealings with customers; and

· managers who are responsible for reminding their teams of their obligations and to encourage staff to voice their opinions/concerns regarding any actual or perceived non-compliance via various mediums, including internal escalation processes.

This training and reminders are extended to other ASPs who perform services on behalf of Ausgrid.

Ausgrid's legally approved templates include a clause requiring the counterparty to comply with the Guideline in compliance with clause 4.4.1 of the Guideline.

2.5 Engagement with the Regulator on the development on the Guideline and the ring-fencing registers

Ausgrid is proud of its ongoing compliance with relevant industry regulations and the culture that drives that compliance. Ausgrid also welcomes opportunities to utilise its position in the market to promote the interests of the industry, market competition and assist the regulator in achieving its objectives.

During the year, Ausgrid had been proactive in regular industry engagements with the regulator and initiatives in further improving and shaping the ring-fencing mandate. This includes attending and leading discussions in:

· AER workshops on its key priorities and the proposed strawman approach, including making a constructive submission;

· numerous Energy Network Australia (**ENA**) meetings on industry contributions towards the scope and future of ring-fencing, including contributing greatly on the ENA submission; and

· conversations with AER on how the DNSPs can meet AER expectations on compliance with the Guideline, particularly the ring-fencing registers (**Registers**).

The Registers have been one of the subjective requirements of the Guideline requiring greater clarity, having had DNSPs interpret the Register requirements in several ways. Ausgrid has liaised with AER on numerous occasions and has recently been provided some objective advice on AER's expectations.

Accordingly, Ausgrid has updated the Registers in accordance with the Guideline as well as correspondence received from AER. GRC have also implemented a six-monthly review in order to update the registers, as necessary and as indicated by AER, with the expectation of providing sufficient information for external stakeholders to understand how Ausgrid has shared its office and staff in accordance with the Guideline.

During the year, Ausgrid had been proactive in regular industry engagements with the regulator and initiatives in further improving and shaping the ring-fencing mandate. This includes attending and leading discussions in:

- AER workshops on its key priorities and the proposed strawman approach, including making a constructive submission;

- numerous ENA meetings on industry contributions towards the scope and future of ring-fencing, including contributing greatly on the ENA submission; and

- conversations with AER on how the DNSPs can meet AER expectations on compliance with the Guideline, particularly the Registers.

The Registers have been one of the subjective requirements of the Guideline requiring greater clarity, having had DNSPs interpret the Register requirements in several ways. Ausgrid has liaised with AER on numerous occasions and has recently been provided some objective advice on AER's expectations.

Accordingly, Ausgrid has updated the Registers in accordance with the Guideline as well as correspondence received from AER. GRC have also implemented a six-monthly review in order to update the registers, as necessary and as indicated by AER, with the expectation of providing sufficient information for external stakeholders to understand how Ausgrid has shared its office and staff in accordance with the Guideline.

3. Independent assessments

3.1 FY19 Deloitte independent assessment

Deloitte's FY19 independent assessment report provided four exceptions and made recommendations for Ausgrid management to implement. These were captured via Enablon, having responsible persons allocated action plans and a hierarchy of validation at the senior management level.

Guidance Obligation	Recommendations	Material Breach	Ausgrid subsequent actions status
3.1 (b)	To address the results of testing we recommend: · Ausgrid discuss the use of shared (procurement) corporate personnel with the AER to ensure the AER are satisfied that Ausgrid are not in conflict with the Guideline.	No	Completed. Ausgrid provided a detailed letter to AER in December 2019 outlining its current procurement structure to the extent that procurement for contestable electricity services is performed by two separate teams.
4.1 (b)	To address the results of testing we recommend the below: · 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.	No	Completed.
4.2.1 (b)	To address the results of testing we recommend: · 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.	No	Completed.
3.1 (b)	To address the observations we recommend the below: 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.	No	Materially completed, yet to be fully finalised. The Code of Conduct has been updated in draft to include explicit reference to Ring-fencing Policy; this would ensure that the staff are aware of their obligations of protecting confidential information per the ring-fencing requirements. Reference to such consistency has also been updated onto our intranet site. However the due process is to have it reviewed and approved by the union which is scheduled for early 2021.

3.2 Internal audit independent assessment

Ausgrid Internal Audit function undertook a ring-fencing compliance audit in May 2020. The assessment was performed by KPMG and received a positive outcome with some improvement opportunities - thoroughly detailed in its Internal Audit Report – Ring-Fencing Compliance Review 2020 (**Internal Audit Report**).

Summary of Findings

Extreme	High	Medium	Low
0	0	2	4

1	Ring-fencing compliance culture has evolved, with a deeper organisational awareness of Ring-fencing risks.
2	Stakeholders understand the Ring-fencing obligations and how they are meant to be complying with them.
3	Ausgrid have effectivelty addressed the recommendations contained within previous audits and investigations.

Medium **2**	1	Insufficiently documented Ring-fencing controls.
	2	Over-reliance on control attestations as ecidence of control adequcy.
Low **4**	3	Internal messageing inconsistent with an open compliance culture.
	4	Insufficient linkages of non-compliance to disciplinary outcomes.
	5	Lack of user access management monitoring and reporting
	6	Overreliance on manual controls

The improvement opportunities were listed into 6 categories per the above and broken down into 21 subtasks in the Internal Audit Report. Compliance with these recommendations was managed via Enablon by the Internal Audit team with final validation by General Counsel/Company Secretary upon completion also.

4. Other services

The below table sets out the instances where Ausgrid has provided other services in FY20 in accordance with clause 3.1

Ref of cl 3.1(d)	Service(s) provided	Purpose
i	We provide services to other legal entities such as Telecommunication providers the rights to use our assets such as: • Poles • Dark fibre • Other structural network assets	The services are provided under lease arrangements and agreements.
ii	The following corporate services were provided to PLUS ES: • General Administration • General corporate • Accounting/Finance • Treasury • Human Resources/Payroll • ICT • Legal/Regulatory • Procurement • Fleet • Health, Safety and Environment • Company Secretary and Office of CEO • Audit • Corporate affairs • Property & Facilities	In accordance with exception provided in clause 3.1(d)ii as well as the Services Agreements with PLUS ES established at an arm's length basis, Ausgrid has provided these services to PLUS ES while adhering to its obligations in clause 3.2 for these arrangements.
iii	The relevant office and staff provided to PLUS ES are noted in: • Office register • Staff sharing register	In accordance with exception provided in clause 3.1(d)iii as well as the exceptions provided in clauses 4.2.1(b) and 4.2.2(b), Ausgrid has allowed for such services and co-location arrangements in limited and highly controlled circumstances.
iv	Electricity information was provided to PLUS ES as our contracted service provider for the following services: • Ausgrid's Metering Services; • Ausgrid's Electrical and Fibre Services; and • Ausgrid's Network testing Services Electricity information is also provided to other service providers such as our vegetation management contractors.	As permitted under clause 3.1(d)(iv) and while maintaining compliance with clause 4.3.

5. Summary of transactions with PLUS ES

PLUS ES provides the following range of services to Ausgrid:

Transactions	Purpose
Electrical and Fibre Services: · Ausgrid Fibre Optic Network · External third-Party Fibre Optic Duct Study Request – Facilities Access · Customer Works Associated with Substation Replacement/Removal · Undergrounding of Service Mains · Property STN Maintenance · Specialist Projects.	Ancillary to its own distribution and transmission services, Ausgrid contracts for certain services to specialised providers.
Testing Services: · Chemical Testing Services · Calibration Services · Electrical Testing Services · Conduct of Tests – Electrical Testing · Test Documentation – Electrical Testing · Record Retention and Ownership – Electrical Testing · Applicability of Reports and Certificates – Electrical Testing · Postponement of Testing – Electrical Testing · Consulting Services – Electrical Testing.	Ancillary to its own distribution and transmission services, Ausgrid contracts for certain services to specialised providers.
Metering Related (Alternative Control Services)	Provide Metering Services to enable Ausgrid Network to provide Alternate Control Services and related Ancillary Network Services
Metering Related (Standard Control Services)	Provide Metering and related Services for the Ausgrid Network to enable it to provide Standard Control Services with respect to the Metering Points.

These are provided under the terms of four non-exclusive service agreements.

Appendix A – Key compliance controls and measures

Category	Ref.	Preventive Controls	Detective controls	Corrective controls
Offices, staff, branding and promotions	4.2.1 (a)	• 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 procedure for all new employees to ensure staff are only provided access to locations relevant for their role and entity. • There is a PLUS ES – Accommodation analysis providing a risk assessment of co-locations where amenities are shared. • Procedure – PLUS ES Accommodation and Security addresses the accommodation and security for PLUS ES to ensure compliance with the Guideline. • Ausgrid has provided PLUS ES with its own branch of keying systems to separate it from the rest of Ausgrid. • PLUS ES has separate identification cards to differentiate between their employees and Ausgrid employees. The cards only permit access to PLUS ES offices (with authorised exceptions). • Ausgrid and PLUS ES have separate physical workspaces for staff with work locations restricted through electronic access controls. • There is a checklist for 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. • IAM Application implemented to identify SAP HR changes in staff division	• To ensure PLUS ES do not gain unauthorised access to potential confidential information which could give them an unfair advantage over its competitors, User Access Control and Review are applied for periodic reviews of system access including the process involved in staff movements, unauthorised access/suspicious activity etc. • Security operations to perform regular reporting, including biannual reports on high risk doors as well as reports on unauthorised staff access in high-risk sites. Reports to be provided to Priya Kaur (GRC) for review and implementation of actions as required. • The GRC team granted complete visibility of all staff sharing arrangements so able to raise concerns if and when needed. • The GRC team undertakes second line of defence reviews of ad hoc secondments and staff loans. This entails an end-to-end review of how the loan was carried out and whether compliance was met. • The Ausgrid Operations team regularly engages the GRC team regarding staff sharing where the business is unsure whether ring fencing compliance can be met. The GRC team only approves requests where Guideline requirements can be met. • Since the implementation of HR Essentials, GRC and HR have greater visibility of staff movements as the system provides automatic identification of staff profile changes and allocates applicable	• Corrective and Preventative Action Management specifies the triggers for change management that require improvement actions such as updating the controls matrix. This would include annual management review, regulatory changes or business change.

Appendix A – Key compliance controls and measures

		description and associated transferred start and end dates. The system then automatically changes over access rights. · The External Partner Code of contains the standards or values third parties should abide by, including compliance with Legislative Compliance requirements	organisational credentials. · To identify, investigate and escalate any potential unauthorised access to restricted areas, a quarterly report is performed by Security Ops and reviewed by GRC of selected sites to identify inaccurate physical access. · To identify, investigate and escalate any potential unauthorised access to restricted areas, a quarterly report is performed by Security Ops and reviewed by GRC to identify correct access levels allocated to staff	
Staff sharing	4.2.2 (a)	· There have been ring-fencing communications to staff advising them of what should be done to comply with the Guideline. · When supplying staff to PLUS ES, staff follow an Ausgrid Checklist and PLUS ES Induction form. This procedure ensures the sharing of staff with PLUS ES is compliant with the Guideline. · 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. · Ausgrid has a Performance and Recognition Guideline that does not incentivise staff to act contrary to 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.	· 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 Ring-fencing page on the Ausgrid intranet with information for staff on how to maintain compliance with the Guideline, including Ring-fencing Infosheet Do's and Don'ts. · 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.	· Corrective and Preventative Action Management specifies the triggers for change management that require improvement actions such as updating the controls matrix. This would include annual management review, regulatory changes or business change.

Appendix A – Key compliance controls and measures

| **Protection of confidential information and**
 Disclosure of information | 4.3.2 | • 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.

 • Ausgrid has a Procedure – Information classification, labelling and handling.

 • There is an Information Sharing Protocol on the Ausgrid website that sets out the terms and conditions that apply to information sharing.

 • There is a PLUS ES Usage system document which identifies the PLUS ES roles which require access to certain Ausgrid systems for the purpose of disclosure to provide other services | • ICT have implemented Role Based Access Controls for the key systems containing confidential information, such as metering and customer data.

 • User Access Reviews occur monthly to identify and remove terminated users.

 • Identity Access Management (IAM) Solution has been implemented, where the IAM will revoke access based upon termination dates, this includes role changes.

 • ·Security Incident Event Management Monitoring (SIEM) has been implemented monitoring events that have been customised based upon our cyber risk appetite e.g. failed login attempts.

 • As part of Data Leakage Prevention (DLP), Incident Response Playbook – Data Breach and Cyber Security Incident Response Plan are applied by the Cyber team. | |