

5 May 2017

Ms Michelle Groves
Chief Executive Officer
Australian Energy Regulator
360 Elizabeth Street
Melbourne, Victoria 3000

Dear Ms Groves

Re: RING FENCING COMPLIANCE STRATEGY AND WAIVER APPLICATION

We are pleased to submit our ring fencing compliance strategy and waiver application to the Australian Energy Regulator (AER) as requested in your letter from 17 February 2017.

We take our obligation to comply with the ring fencing guideline seriously. To develop our compliance strategy and implement the guideline, we established an implementation team in January 2017. This team conducted extensive interviews with representatives from across our business, and reviewed systems and processes to identify potential risk areas. In developing our compliance strategy, we have also considered and reflected the guidance provided by AER staff on our draft strategy that was submitted in March 2017.

We have also begun implementing the guideline. This has included:

- communicating the principles of ring fencing to employees;
- (currently) developing material for training, which we expect to deliver in early June 2017;
- re-organising certain shared employee roles;
- making changes to contact centre scripts and processes;
- rebranding the provider of contestable services to beon Energy Solutions Pty Ltd. Additionally, it is currently relocating to separate offices; and
- removing reference to affiliates from our website.

More information on our approach is contained in the accompanying compliance strategy.

The outcome of our waiver application will have significant implications for the way in which we deliver distribution services. We look forward to constructively engaging with the AER's waiver assessment process. To fully comply with ring fencing by the end of the transitional period, it will be important that we receive sufficient time to reflect the waiver assessment outcomes throughout the business.

Please do not hesitate to contact me on (03) 9683 4082 or RVogt@powercor.com.au if you have any questions.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Renate Vogt".

Renate Vogt
General Manager of Regulation, CitiPower and Powercor

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