



Annual Ring-fencing Compliance Report

1 JULY 2017 TO 30 JUNE 2018





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1. Executive Summary

1.1 Statement of Compliance

Other than those matters disclosed in Section 5, Breaches of the Ring-fencing Guideline, Endeavour Energy confirms that it is compliant with the Australian Energy Regulation's (AER) Ring-fencing guideline (**the Guideline**). Endeavour Energy's compliance is positively supported across the Endeavour Energy group as a framework for business enablement.

1.2 Context of the AER's Ring-fencing Guideline

The following excerpt has been taken from the Council of Australia Governments (COAG) Energy Council meeting communiqué released in December 2015, which provides the policy setting for the development of the Guideline.

*The Council agreed that ring-fencing guidelines, which separate the competitive and regulated parts of network businesses, should facilitate the use of new technologies, like batteries. The Council also agreed that they should support greater participation by all providers, **including network businesses**, and that further refinement is required to protect the long-term interests of consumers. The Council noted that the Australian Energy Regulator (AER) would conduct a review of ring-fencing arrangements in 2016. The Council agreed that officials and market bodies would collaborate to ensure that revised ring fencing guidelines support competitive markets, provide market clarity and a level playing field for all energy service providers, while accelerating innovation and efficient investment in network and customer services.¹*

When the Guideline is placed into context it is clear that the purpose of the Guideline is to provide a framework to enable the participation of network businesses in delivering new technologies and energy solutions to customers, but in a way that provides confidence and transparency to customers and market participants.

1.3 Compliance Philosophy

Endeavour Energy recognises the Guideline as an enabler to the Endeavour Energy group participating in unregulated markets. In the absence of the Guideline we would not be permitted to utilise our skills and experience to provide value added products and services to customers in a fair and competitive manner. We also acknowledge that in the main the requirements of the Guideline reflect the behaviours and obligations that all service providers must comply with under the Competition and Consumer Act. These facts have influenced how we have approached our compliance and business transformation program.

Endeavour Energy has sought to implement the requirements of the Guideline with a compliance philosophy as contrast to an enforcement philosophy. The importance of this delineation may not be obvious in the first instance; however it is a critical underpinning of how Endeavour Energy has approached engaging with the requirements of the Guideline, and our self-evaluation.

Endeavour Energy's approach has been to be open to learning from challenges and failures, to improve our processes, and to continually improve our capacity to achieve compliance in a range of circumstances. This is supported by a clear focus on the policy objectives of the Guideline rather than narrowly focusing on the individual clauses in isolation.

1.4 Requirement for this Report

The preparation and publication of this report is designed to satisfy Endeavour Energy's regulatory and reporting obligations as prescribed by the Guideline. It is also our expectation that this report will contribute to public confidence that the policy objectives of supporting competitive

¹ COAG Energy Council, *Meeting Communique*, 4 December 2015. (emphasis added)

markets and providing market clarity and a level playing field for all energy service providers is being satisfied.

The Guideline

Clause 6.17.1 of the NER requires that all Distribution Network Service Providers (**DNSP**) must comply with the Guideline published by the AER.

The AER published version 2 of the Ring-fencing Guideline, Electricity Distribution Version 2 in October 2017, and as set out in the AER's guideline, the objective is to:

- promote the National Electricity Objective by providing for the accounting and functional separation of the provision of direct control services by DNSPs from the provision of other services by them, or by their affiliated entities; and
- promote competition in the provision of electricity services.

The Guideline imposes obligations on DNSPs targeted at, among other things:

- cross-subsidisation, with provisions that aim to prevent a DNSP from providing other services that could be cross-subsidised by its distribution services; and
- discrimination, with provisions that aim to:
 - prevent a DNSP conferring a competitive advantage on its related electricity service providers that provide contestable electricity services; and
 - ensure a DNSP keeps information it acquires or generates confidential, and handles that information appropriately.

Transition to the Guideline

Version 1 of the Guideline came into effect as of 1 December 2016 when the Guideline was published and was subsequently replaced by version 2 of the Guideline in October 2017.

To provide an opportunity for DNSPs to undertake the necessary implementation activities a transition period was in place for "existing services" at the time of publication of version 1 of the Guideline. DNSPs were required to complete their implementation activities as soon as reasonably practicable but fully comply no later than 1 January 2018.

This is Endeavour Energy's first ring-fencing compliance report and covers the regulatory year of 1 July 2017 to 30 June 2018. Therefore, for the period 1 July 2017 to 31 December 2017, Endeavour Energy's compliance is assessed against the transitional arrangements with the remainder of the period being assessed against full compliance with the Guideline.

Demonstrating Compliance

Clause 6.2.1(b) of the Guideline sets out those matters that Endeavour Energy is required to include in this report to demonstrate our compliance with the Guideline. Specifically the annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:

- i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline;
- ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP;
- iii. all other services provided by the DNSP in accordance with clause 3.1; and

iv. the purpose of all transactions between the DNSP and an affiliated entity.

In addition to the content of this report it must be accompanied by an assessment of compliance by a suitably qualified independent authority.

This report may be made public by the AER and has been prepared on the expectation that such public disclosure will occur.

Finally Endeavour Energy is required to submit this report and accompanying compliance assessment to the AER within four months of the end of the regulatory year to which it relates, being 31 October.

1.5 Previous Status Updates

Recognising that the implementation of activities to ensure compliance with the guideline has been a matter of public and policy interest, the AER requested Endeavour Energy provide documents to provide public transparency on our progress. Some key engagements have included:

- Endeavour Energy communication to the AER in March 2017 identifying the quick wins it was planning to implement ahead of the end of the transition period and an overview of the implementation plans;
- this letter was followed in April 2017 with a more detailed discussion of our implementation plans and activities. This implementation plan has been made publicly available on the AER's website; and
- in September 2017 Endeavour Energy published a ring-fencing compliance statement which is publicly available on Endeavour Energy's website.

2. Approach to Embedding Compliance

2.1 Project Governance

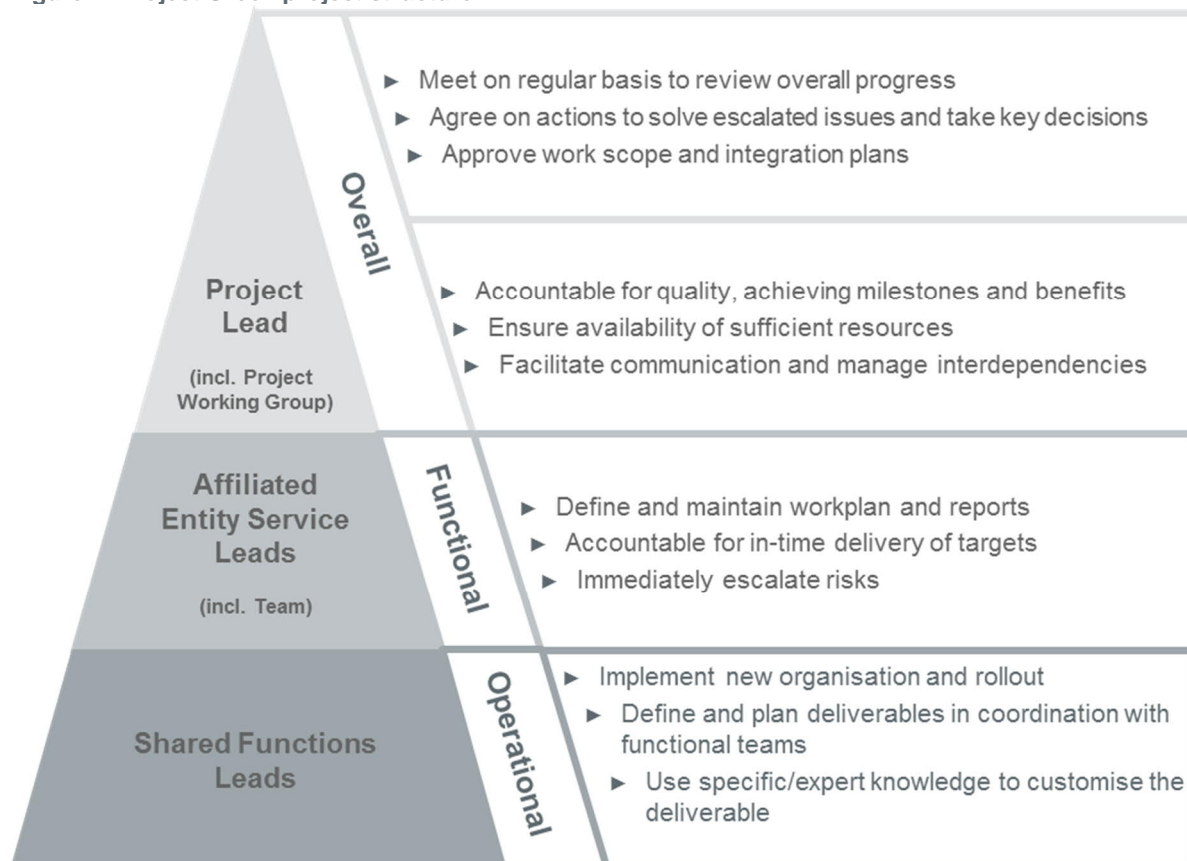
Endeavour Energy established a Project Management Office (**Project Green**) in March 2017 to conduct an internal review of compliance with the AER's Ring-fencing Guideline and prepare an implementation plan for submission to the AER in order to achieve full compliance by 1 January 2018.

Our compliance position was developed in alignment with four strategic principles to guide the decision-making and implementation planning. They were:

- to protect Endeavour Energy;
- minimise the implementation impact;
- avoid increasing operating costs; and
- to ensure flexibility.

A Working Group was established to undertake a number of key activities in order to meet each obligation under the Guideline. Reporting to the Executive Leadership Team and the Board of Directors, the Working Group consisted of a Project Lead and 12 subject matter experts, who met weekly and were responsible for monitoring Endeavour Energy's progress against key project deliverables. Figure 1 outlines the project structure adopted for Project Green.

Figure 1: Project Green project structure



A compliance and monitoring framework was developed to ensure that each ring-fencing obligation and responsibility was understood and mapped to the responsible business function with the accountable Executive Leadership Team member providing assurance that the

compliance obligation was able to be met. The compliance and monitoring framework covered the following aspects:

- the ring-fencing obligation;
- record of any waivers received and the details of waiver;
- a description of Endeavour Energy’s compliance approach;
- compliance risk rating;
- any implementation changes required;
- controls to monitor compliance; and
- ongoing reporting requirements.

2.2 Planning

Following publication of the Guideline in 2016, Endeavour Energy undertook an initial planning exercise and compiled an inventory of activities required to facilitate compliance with the Guideline. In April 2017 Endeavour Energy provided the AER with an initial summary of those areas requiring attention. The inventory of actions was prepared just prior to the long term lease of the Endeavour Energy network, and therefore it was not clear how the successful bidders would wish to address compliance with the requirement for legal separation. Therefore the issue of legal separation was the only item where no plan for compliance existed at that time.

In May 2017 Endeavour Energy provided the AER with a compliance assessment and a more detailed action plan for implementing the necessary control and structures to achieve and demonstrate compliance. The table below taken from that report highlights that, while Endeavour Energy’s pre-existing systems did address a number of elements, work was required to become compliant. The areas requiring activity formed the basis of the timetable and action plan provided to the AER.

Figure 2: Snapshot of compliance with ring-fencing obligations by service classification (May 2017)

Obligation	Direct control services	Unregulated distribution services	Other electricity services	Other non-electricity services
Obligation to not discriminate	Compliant	Not Compliant	Not Compliant	Compliant
Legal separation	Compliant	Not Compliant	Not Compliant	Not Compliant
Establish and maintain separate accounts	Compliant	Not Compliant	Partially Compliant	Partially Compliant
Information access and disclosure	Not Compliant	Not Compliant	Not Compliant	Not Compliant
Physical separation	Compliant	Not Compliant	Not Compliant	Compliant
Staff sharing	Compliant	Not Compliant	Not Compliant	Compliant
Branding and promotion	Compliant	Not Compliant	Not Compliant	Compliant
Service providers	Not Compliant	Not Compliant	Not Compliant	Not Compliant

- Service is currently compliant with ring-fencing obligation
- Service is partially compliant with ring-fencing obligation
- Service is currently not compliant with ring-fencing obligation

Endeavour Energy’s implementation program was designed to deliver on our commitment to participating fairly under the Guideline in a way that provides certainty for market participants and ensures robust and transparent compliance.

We provided the AER with a compliance statement outlining our approach to implementation and compliance with the Guideline and between September and December 2017 we undertook to complete a number of key actions to achieve compliance by the end of the transitional period.

The table below outlines Endeavour Energy's approach to compliance and how compliance was achieved.

Table 1: Summary of Endeavour Energy's implementation approach and compliance actions

Obligation	Approach to compliance	How we achieved compliance
Legal separation	We will only provide services associated with our role as a Distribution Network Service Provider when trading as Endeavour Energy.	<ul style="list-style-type: none"> ✓ We created a new Affiliated Entity to provide non-distribution services. ✓ We implemented employee secondments ✓ We embedded compliance control assessments into our policies and procedures
Account separation & cost allocation	<p>Accounts – We will establish and maintain procedures that demonstrate the nature and extent of transactions with the Affiliated Entity.</p> <p>Costs – We will not allocate or attribute costs to Distribution Services that relate to other services.</p>	<ul style="list-style-type: none"> ✓ We implemented a separate system that provides separate accounting processes and data. ✓ We implemented a new charge-out billing solution for the Affiliated Entity.
Not discriminate	We will not directly or indirectly discriminate in favour of the Affiliated Entity.	<ul style="list-style-type: none"> ✓ We have educated our employees to treat the Affiliated Entity at arms-length and on similar terms to other participants in relevant markets.
No cross-promotion	<p>We will not advertise or promote the services of the Affiliated Entity.</p> <p>Brand – We will implement a branding solution for vehicles, shared staff and public documents.</p>	<ul style="list-style-type: none"> ✓ We amended our Advertising and Promotional Materials policies and procedures to control promotion of the Affiliated Entity's services, and this promotion is only conducted by employees of the Affiliated Entity. ✓ We have and will continue to communicate effectively with all impacted external stakeholders.
Functional separation	Physical separation – We will operate independent and separate offices to the Affiliated Entity.	<ul style="list-style-type: none"> ✓ We removed, for all employees dedicated to the Affiliated Entity, unrestricted access to Endeavour Energy's head office location or any other area that is used by DNSP employees that cannot be shared.
	Staff sharing – Employees directly involved in the provision or marketing of Direct Control Services with access to confidential information will not be involved in the provision or marketing of contestable services by the Affiliated Entity.	<ul style="list-style-type: none"> ✓ We continue to review, employees that are shared, on a periodic basis and update the Staff Sharing Register as required. Where employees cannot be shared, we either review job descriptions to separate roles or discontinue certain activities.

Information access & disclosure	<p>Protection – We will protect confidential information provided by a customer or prospective customer for Direct Control Services and only use that information for the purpose it was provided.</p>	<p>✓ We amended our Information Management policies to improve Confidential Information controls.</p>
	<p>Sharing – Where we acquire information for Direct Control Services and share it with the Affiliated Entity, we will provide equal access to others by establishing an information sharing protocol and register of information requests</p>	<p>✓ We established and maintain an information register of all legal entities that request access to Confidential Electricity Information and have made the register publically available on our website.</p>
	<p>Disclosure – We will not disclose confidential information obtained in providing Direct Control Services to any party without the approval of the customer or potential customer to whom that information relates.</p>	<p>✓ We modified our Information Systems to improve access controls to provide the Affiliated Entity with the same access as external parties in relevant markets whilst not compromising our obligations related to privacy and confidentiality.</p>



3. Maintaining Compliance

Endeavour Energy maintains a layered compliance system that cascades from overarching business risk identifications and governance reporting regime maintained by the corporate Governance & Compliance team, through to workplace instructions and reporting implemented by teams with functional responsibility.

Endeavour Energy’s risk management and compliance framework is overseen by the Executive Audit and Risk Committee (EARC) and the Audit and Risk Committee (ARC) of the Board. Compliance and governance effectiveness is supported by independent review and assessment by the internal audit function.

Ring-fencing compliance is centrally coordinated and reported by the Network Regulation team due to the broad subject matter expertise. Implementation of specific controls is allocated to responsible persons with the most direct line responsibility for the relevant control and/or compliance area.

Endeavour Energy has established Company Procedure GRG0013 Reporting & Compliance Procedure for Ring-Fencing Guidelines to provide an overarching organisational framework for reporting compliance with ring-fencing obligations. The procedure specifically outlines the management of the:

- identification and classification of ring-fencing obligations;
- process for reporting and monitoring of ring-fencing obligations;
- obligation compliance verification process; and
- corrective action process for compliance failures or other identified issues.

This procedure also includes a management representation process that requires the responsible persons to self-disclose compliance within their area of responsibility and report on the status of controls. This process continues to escalate up to the relevant executive member who is required to represent the status of compliance and controls to the Chief Executive Officer.

Separately, Endeavour Energy operates a dedicated mail box to allow internal and external persons to raise questions or concerns with compliance. It was through this process that one of the items disclosed in Section 5, Breaches of the Ring-fencing Guideline, was identified and addressed.

The outcomes of these separate processes are reviewed and collated for reporting and, where necessary, remediation.

Endeavour Energy has a broad range specific controls and processes in place as a means for achieving and maintaining compliance against each element of the Guideline and is set out in broad terms in the table below. A more comprehensive outline is available at Appendix C of the Auditor’s Independent Report.

Table 2: Summary of compliance with the Ring-fencing Guideline

Ring-fencing Obligation Area	Compliance Status	Summary of Compliance
Legal separation of DNSP from other entities	Compliant	Endeavour Energy (Network Operating Partnership) is legally separated from the unregulated business, Ausconnex (Network Unregulated Partnership). Contractual arrangements in relation to corporate services and asset sharing have been formally defined in a

		<p>Business Support Agreement between Endeavour Energy and Ausconnex.</p> <p>Endeavour Energy has prepared a Waiver Register to provide our Stakeholders information on the status of our applications and is available via our website.</p>
Account separation/ Cost allocation	Compliant	<p>Independent financial and accounting forecasts and statements are maintained in two separate applications to enable distinct transactions between Endeavour Energy and Ausconnex is subject to audit by external third party.</p> <p>Endeavour Energy attributes costs in accordance with the Accounting for Ausconnex guidelines which adheres to obligations 3.2.2 (a) and (b) of the Ring-fencing Guideline.</p>
Clear obligation for DNSP to not discriminate	Compliant	<p>Ring-fencing obligations have been and continue to be communicated to employees via internal communication avenues and eLearning modules to embed awareness of obligations.</p> <p>Guiding principles for providing equal access to Electricity Information have been established and published and a ring-fencing email box established to monitor complaints, inquiries and suspected breaches etc. An Information Sharing Register has been established and is published on Endeavour Energy's website and is subject to periodic review.</p>
No cross-promotion	Compliant	<p>Ausconnex operates as a distinct brand from Endeavour Energy with independent advertising, communication and promotional material. Endeavour Energy have established Company Procedures to address the requirements related to branding and cross-promotion considerations.</p>
Physical Separation	Compliant	<p>Ausconnex is physically separated from Endeavour Energy's regulated business with identified separate access point. Remedial action has been undertaken to ensure Ausconnex employees do not have access to sensitive areas used by Endeavour Energy.</p> <p>An Office Sharing Register is available on Endeavour Energy's website and is reviewed periodically.</p>
Staff Sharing	Compliant	<p>Management maintain a Staff Sharing Register which is reviewed periodically and available on Endeavour Energy's website. The register outlines the positions shared between Endeavour Energy and Ausconnex. The Business Support Agreement between Endeavour Energy and Ausconnex clearly defines corporate services and asset sharing contractual arrangements.</p>
Restrict access to Electricity Information	Compliant	<p>Electricity Information is restricted in across Active Directory and modules of Key Applications. User access to key Endeavour Energy and Ausconnex systems is provisioned according to defined controls and in accordance with role-based guidelines. Principles for providing equal access to Electricity Information apply.</p>

Information Sharing and Disclosure	Compliant	An Information Sharing Protocol and Information Sharing Register have been established and are publically available on Endeavour Energy's website. Principles for providing equal access to Electricity Information apply and eLearning modules continue to embed awareness of obligations.
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These controls can also be considered through an activity/process lens. A brief summary of these activities is set out below.

Process and policy controls have been established to provide clear guidance and instruction to the business units undertaking activities of interest.

Contractual and financial controls have been established to provide governance around the types of interactions and services that each organisation may provide or procure from the other and how these services will be charged and costed.

Regulatory and reporting controls have been established to support a compliance orientated philosophy to the ring-fencing obligations, and embedding a once-removed approval process for some key changes to maintain a focus on securing compliance.

Embedding awareness of our obligations with the staff allows our *staff* to act as a *control* identifying issues before (and after) they arise to position Endeavour Energy for compliance. This is supported by online materials and access to subject matter experts.

Transparency controls and processes are in place to provide increased visibility and accountability within Endeavour Energy for maintaining compliance with the Guideline; and transparency externally to empower stakeholder to ensure that Endeavour Energy is accountable for its ongoing compliance.

HR controls have been established to provide role clarity to limit the opportunity for inadvertent breaches of the Guideline and to address potential incentives to breach the guideline. These controls are supported by *IT and physical access controls* applied to all roles.

3.1 Inherent Risk Areas

There are a number of areas where normal business operations create inherent risks to be managed. The key areas identified by Endeavour Energy have been outlined below.

Inductions

Endeavour Energy made a significant organisational commitment to ensuring that ring-fencing awareness training was undertaken by existing employees and achieved significant confirmed completion rates across the whole organisation, including low risk areas.

However, over the 2017-18 regulatory year Endeavour Energy has been undergoing significant restructuring as part of the current wave of business reforms. These changes have included a number of new staff to the organisation, a pattern that is likely to continue as Endeavour Energy continues its business improvement and efficiency journey.

With this in mind an ongoing area of inherent risk is the need to ensure that all new staff receive appropriate ring-fencing awareness training, as well as additional training for those staff who take on higher responsibilities over time.

Endeavour Energy has arrangements in place for new employees to receive online ring-fencing training as part of their induction, however this training will need to be augmented by broader

organisational refresher training to ensure that the organisational context of compliance is reinforced.

Branding

Endeavour Energy acknowledges that it has an inherent risk exposure due to the existence of staff sharing at the field force level.

Consequently, an area of focus for the implementation and training programs has been on the issue of branding, in particular the need to ensure that staff adhere to the appropriate clothing and protective equipment while on work sites.

Over the 2017-18 regulatory year staff provided internal reporting and identification of one instance where this inherent risk was realised. As a consequence of this identification the issue was immediately escalated to the relevant Executives within Endeavour Energy to both reinforce the importance of correct branding as well as issuing additional branded items to ensure that spare clothing was available if necessary to avoid recurrence.

Staff Sharing

When implementing controls to meet the Guideline, Endeavour Energy undertook analysis of roles throughout its business structure. Based on this analysis the roles were classified as discussed below. If a role did not clearly fit within one of the classifications the role was amended to ensure clarity of function and access to confidential electricity information.

Staff sharing has been established based on clear definitions and classification of roles that:

- meet the definition of corporate services and are therefore inherently sharable and provide common services to Endeavour Energy and its related entities. These were termed “blue roles” for ease of internal communication;
- are able to be shared due to the assessment of the roles access to confidential electricity information and commercial decision making authority. These were termed “green roles” for ease of internal communication; and
- must not be shared due to access to confidential electricity information, commercial decision making authority, and interaction with the ASP scheme. These were termed “red roles” for ease of internal communication

Green roles have been included within the Staff Sharing Register published on Endeavour Energy’s web site.

A critical challenge point for Endeavour moving forward is ensuring continuity of the assessment criteria and framework as roles are created or amended over time to meet business needs. Regular updating of the Staff Sharing Register and embedding assessments within the HR functions will provide the necessary triggers to maintain currency and focus on this risk area.



4. Waivers

Endeavour Energy currently has a number of waivers approved by the AER and in place that were applicable to the 2017-18 regulatory year. In the main these waivers were to seek relief from being required to separate services from the DNSP for only a short period. When seeking the waivers it was known that the services were to be regulated by the AER in the next regulatory period and therefore eliminate the requirement to separate the services from 1 July 2019.

The AER's December 2017 waiver decision for Endeavour Energy included the following:

“Endeavour Energy

We grant Endeavour Energy a waiver from 18 December 2017 until 30 June 2019 from its obligations under clauses 3.1 and 4.2.1, 4.2.2 and 4.2.3 of the Guideline in relation to the prospective reclassification of the following services:

- emergency recoverable works
- public lighting and nightwatchman lights (this includes: security lights – night watch)
- networks safety services
- minor and legacy metering services (this includes: meter recovery and disposal - type 5 and 6 (legacy meters), and; distributor arranged outage for the purposes of replacing the meter)
- rectification works to maintain network safety
- planned interruption – customer requested
- network related training courses
- customer - initiated asset relocations
- non-standard connections, customer-requested supply enhancements and augmentations (this includes: premises connection assets - C, and; augmentations - D)
- termination of cable at zone substation - DNSP required performance”

Endeavour Energy also sought a waiver in respect of legal separation for a period of six months to ensure that a separate affiliated entity could be established, however ultimately Endeavour Energy has not needed to rely on this waiver that expired on 30 June 2018.

5. Breaches of the Ring-fencing Guideline

5.1 Non-material breaches

Table 3: Non-material breaches

Date	Obligation	Issue	Remediation	Identification
April 2018	4.2.3 Branding and cross-promotion	<p>Shared vehicles attending an Ausconnex work site did not have the Endeavour Energy brand concealed with Ausconnex branding.</p> <p>Some shared staff attending the same site were not wearing the issued Ausconnex branded clothing.</p>	<p>Management issued reminder to all employees to ensure vehicles and employees are appropriately branded for worksites.</p> <p>Additional Ausconnex branded uniforms and magnetic signage for vehicles provided.</p>	Employee identified via notification to ring-fencing email inbox.
Whole year	3.1 (b) Provision of Other Services	<p>Upon attending a customer's installation Endeavour Energy staff identified a service fuse failure.</p> <p>Staff attending the site have spare service fuses available for immediate replacement.</p> <p>In the interests of positive customer outcomes, and in light of the incidental cost of the replacement fuse, and negligible market impact Endeavour Energy staff undertook the minimum work necessary to restore supply at no charge to the customer or their retailer.</p>	<p>Seeking regulatory relief through engagement from the AER.</p> <p>The issue has been identified as a particular issue within NSW where the service classification and operation of the ASP scheme can result in significantly poor customer outcomes without a demonstrable offsetting market benefit.</p>	Self-reporting to AER.

5.2 Material breaches

Endeavour Energy is not aware of, and has not been made aware of, any material breach of our obligations under the Ring-fencing Guideline during the 2017-18 regulatory year.



6. Other services provided by the DNSP

Endeavour Energy does provide other services being those directly addressed by clause 3.1(d)(i) of the October 2017 ring-fencing guideline, and which are also captured by the operation of the shared asset guideline. Specifically, Endeavour Energy provides access to land and electrical infrastructure to other service providers, notably telecommunications companies, for a rental fee.

These other services do not interfere with the provision of standard control services. In some instances “make ready works” undertaken by other service providers as a requirement for gaining access often augments or extends the life of the assets providing standard control services at no cost to electricity customers.

In addition to these services a number of other services are in transition to being regulated as either standard or alternative control services. Given the nature of these services was expected or known to be changing the AER approved a waiver for these services to be conducted by Endeavour Energy during the intervening period to 1 July 2019.

The types of services covered by this waiver, as discussed above, include:

- emergency recoverable works;
- public lighting and nightwatchman lights (this includes: security lights – night watch);
- networks safety services;
- minor and legacy metering services (this includes: meter recovery and disposal - type 5 and 6 (legacy meters), and; distributor arranged outage for the purposes of replacing the meter);
- rectification works to maintain network safety;
- planned interruption – customer requested;
- network related training courses ;
- customer - initiated asset relocations;
- non-standard connections, customer-requested supply enhancements and augmentations (this includes: premises connection assets - C, and; augmentations - D); and
- termination of cable at zone substation - DNSP required performance.



7. Transaction between the DNSP and affiliated entities

The 2017-18 regulatory year was the initial year for the application of the Guideline and as a result transactions will include costs to establish compliance with the Guideline.

Clause 6.2.1(b)iv requires the Endeavour Energy disclose the purpose of all transactions with affiliated entities. Appendix 1 – Purpose of Transactions with Affiliates includes the full listing of financial transactions grouped by common purpose and nature.

Due to the types of services undertaken by the affiliated entity, and the corporate services provided to the entity by Endeavour Energy the transactions listed are exclusively payments to Endeavour Energy for corporate and other services provided to the affiliated entity.



8. Independent Reviewer and Assessment

Endeavour Energy engaged PricewaterhouseCoopers (**PwC**) as our independent reviewer. In the attached independent assessment PwC found that other than those matters disclosed above in Section 5, Breaches of the Ring-fencing Guideline, no other issues with compliance were identified, recognising that the matters disclosed were considered to be immaterial.

However, the review undertaken by PwC was a timely reminder to review our controls as we have now moved out of the implementation phase into the business as usual systems and processes within the context of the expectations of the Guideline.

The report prepared by PwC contains a number of observations that have provided us with number of avenues to strengthen our existing controls and to raise the internal visibility of our ring-fencing compliance throughout the year. It is our intention to explore how we can leverage these observations over the course of the forthcoming year.

Appendix 1 – Purpose of Transaction with Affiliates

Table 4: Purpose of Transaction with Affiliates

Affiliate Entity	Purpose of Transaction	Nature and Status of Transaction
Network Unregulated Partnership trading as Ausconnex	Rental of office space from Endeavour Energy	<p>Ausconnex rents office space on land owned by Endeavour Energy.</p> <p>The office occupied is separate from Endeavour Energy office areas.</p> <p>This is expected to be an ongoing service provided to Ausconnex.</p>
Network Unregulated Partnership trading as Ausconnex	Provision of direct labour, materials, sub-contractor and other costs	Endeavour Energy provides services to Ausconnex which includes use of staff (either partly or wholly allocated to Ausconnex), materials and sub-contractors used on Ausconnex projects and any incidental costs which are all on-charged to Ausconnex.
Network Unregulated Partnership trading as Ausconnex	Provision of corporate services	Endeavour Energy provides corporate services to Ausconnex which includes, IT equipment, infrastructure and support, accounting, legal support and insurance.
Network Unregulated Partnership trading as Ausconnex	Provision of management resources	Endeavour Energy provides management/administrative staff to Ausconnex on a full time basis. The cost of these people on-charged to Ausconnex.



Appendix 2 – Independent Assessment