

28 October 2019



Ms Sarah Proudfoot
General Manager
Retail Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Ms Proudfoot

Ergon Energy Network and Energex Ring-fencing 2019 Annual Compliance Reports

I am pleased to provide you with the 2019 Ergon Energy Corporation Limited and Energex Limited Annual Ring-fencing Compliance Reports (the compliance reports), as well as the accompanying independent assessor's report for each. We do not seek to claim confidentiality over any of these reports.

To the best of my knowledge, the compliance reports reflect a true and accurate representation of each Distribution Network Service Provider's (DNSP's) Ring-fencing compliance control program.

Both DNSPs are committed to ensuring ongoing compliance with the AER's Distribution Ring-fencing Guideline 2017. In the instance where the independent assessor has qualified its report in relation to training completions and has identified areas for improvement, we are progressing as a matter of priority, actions to remediate or improve these areas within our control framework.

As noted in the compliance reports, a significant review and refresh of the ring-fencing online training module was undertaken in early 2019, with training placed on hold while this review occurred. At the time of the independent assessment commencing, over 85 per cent of Energy Queensland staff had completed the new training. As at the date of this letter, over 91 per cent of all staff have now undertaken the training and this percentage will continue to rise as the training continues to roll out.

Should you have any questions about the compliance reports, please do not hesitate to contact Karen Stafford, General Manager Legal, Regulation and Pricing on 0409 031 882 or at karen.stafford@energyq.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Peter Scott'.

Peter Scott
ACTING CHIEF EXECUTIVE OFFICER

encl:

- *Energex 2019 Annual Ring-fencing Compliance Report*
- *Ergon Energy 2019 Annual Ring-fencing Compliance Report*
- *Deloitte Ring-Fencing Guideline 2019 Independent Assessment Report for Energex*
- *Deloitte Ring-Fencing Guideline 2019 Independent Assessment Report for Ergon Energy*

Energex Annual Ring-Fencing Compliance Report 2018-19

Energex Limited
31 October 2019



Version Control

Version	Date	Description
1.0	31/10/2019	Initial submission

Contact details

Energex Limited
Karen Stafford
General Manager, Legal, Regulation and Pricing
Phone: +61 (7) 3851 6793
Email: karen.stafford@energyq.com.au

GPO Box 1461 Brisbane QLD 4001
26 Reddacliff Street Newstead QLD 4006
Telephone 13 12 53
www.energex.com.au

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1 Introduction

1.1 Background

The Australian Energy Regulator (AER) first published its Ring-fencing Guideline (Guideline) and accompanying Explanatory Statement for Electricity Distribution on 30 November 2016 under the National Electricity Rules (NER).

Under NER clause 6.17.1 the Guideline is binding on distribution network service providers (DNSPs) and seeks to promote competition in the provision of electricity services, whilst preventing DNSPs from providing their affiliates, operating in unregulated markets, from having an unfair advantage.

The Guideline commenced on 1 December 2016 with full compliance required by 1 January 2018.

On 17 October 2017, the AER released a final amended [Ring-fencing Guideline \(Version 2\) and accompanying Explanatory Statement](#) against which Energex Limited's (Energex's) compliance has been assessed.

1.2 Purpose

The Guideline requires Energex to prepare an annual ring-fencing compliance report for submission to the AER each regulatory year. In accordance with section 6.2.1(b) of the Guideline, the annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:

- the measures the DNSP has taken to ensure compliance with its obligations under the Guideline;
- any breaches of the Guideline by the DNSP, or which otherwise relate to the DNSP;
- all other services provided by the DNSP in accordance with clause 3.1; and
- the purpose of all transactions between the DNSP and an affiliated entity.

In accordance with section 6.2.2 of the Guideline, an annual compliance report must be submitted to the AER within four months of the end of the regulatory year to which the compliance report relates (i.e. 31 October).

The annual compliance report must also be accompanied by an assessment of compliance by a suitably qualified independent authority.

Accordingly, this report represents Energex's Annual Ring-Fencing Compliance Report for the regulatory year ending 30 June 2019 (Energex 2018-19 Ring-Fencing Compliance Report), covering the reporting period from 1 July 2018 to 30 June 2019. This report is structured to align with the reporting obligations specified in clause 6.2 of the Guideline.

This report should be read together with Energex's [Ring-fencing Compliance Strategy](#) and [Waivers](#) as published on the AER and Energex websites. Energex does not claim confidentiality over this submission or any attachments.

2 Measures to ensure compliance

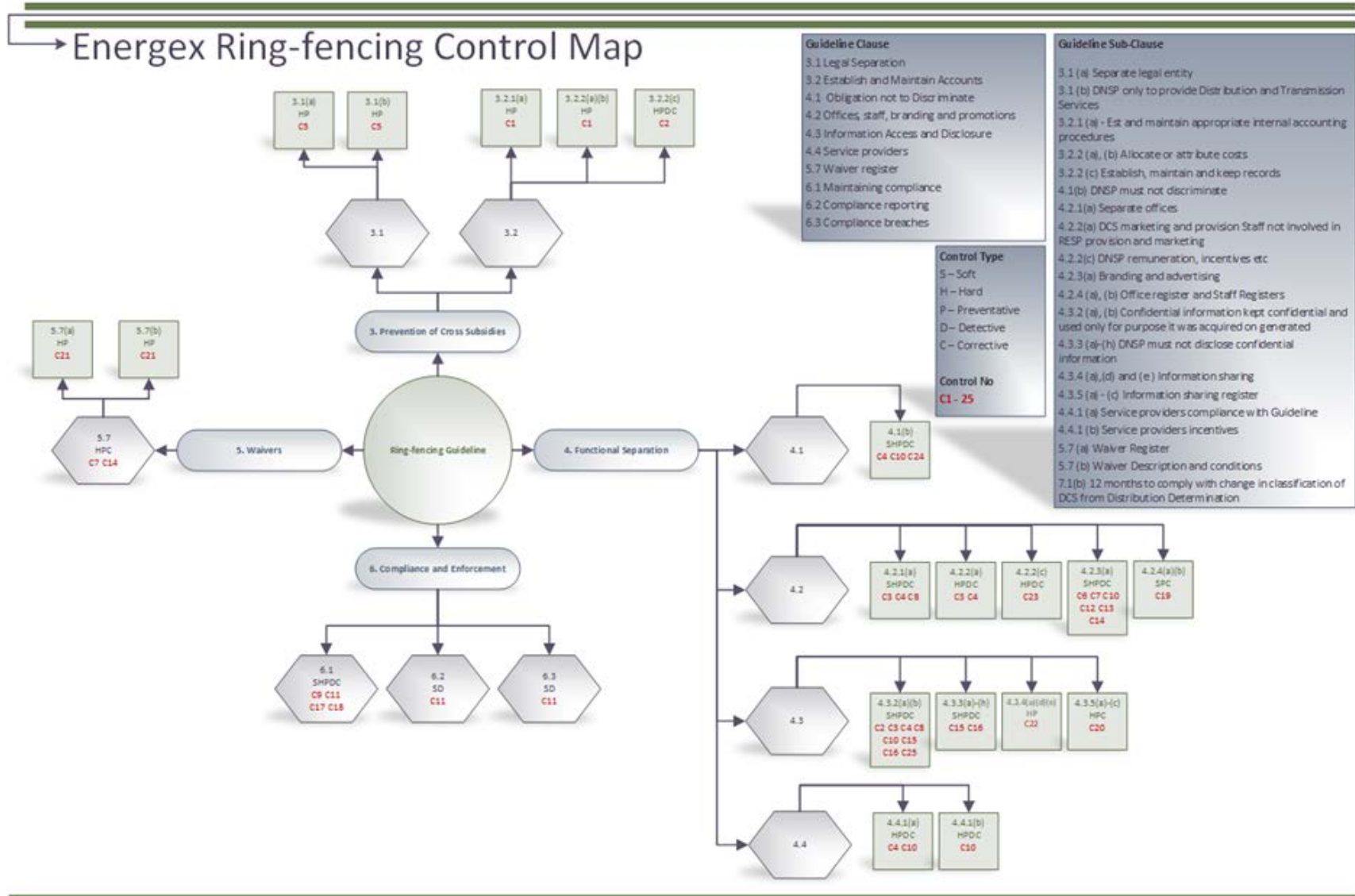
Clause 6.2.1(b) i of the Guideline requires that the annual compliance report must identify and describe, in respect of the regulatory year, the measures the DNSP has taken to ensure compliance with its ring-fencing obligations.

Throughout the 2018-19 regulatory year, Energex has maintained and further strengthened the compliance measures developed in 2017-18 and implemented additional compliance activities. We have strengthened our controls in the following way:

- Comprehensively reviewed and updated the 2017-18 ring-fencing control framework to incorporate learnings from the first year of the Guideline being enforceable, particularly focusing on improving/increasing detective and corrective controls;
- Continued to review and analyse our sources of confidential electricity information and investigate options to automate testing of these sources;
- Reviewed and significantly enhanced our compulsory online ring-fencing training in response to the learnings of the first full year of ring-fencing compliance to better facilitate staffs' practical understanding of our ring-fencing obligations;
- Achieved Gate 3 approval on Energy Queensland's Governance Risk and Compliance Tool which, once implemented, will provide a centralised view of Energy Queensland's compliance obligations (including Energex's ring-fencing compliance activities);
- Progressed the project to implement ring-fencing compliant uniforms and fleet. We remain on target to meet the 31 December 2019 Uniform and Fleet waiver expiry deadline;
- Undertook a second line of defence review of Energex's ring-fencing risk and reported the findings to the Energex Board and Energy Queensland Board's Risk & Compliance Committee; and
- Undertook a third line of defence ring-fencing review and reported the findings to the Energy Queensland Board's Audit and Risk Committee.

Ring-fencing compliance controls implemented include a mixture of preventative, detective and corrective controls. A full list of the controls, including a description and the relevant compliance actions, is provided in **Appendix 1**. These controls have also been mapped against the obligations in the Guideline to which they primarily apply (refer **Figure 1**, following page).

Figure 1: Ring-fencing control map



2.1 Prevention of cross subsidies

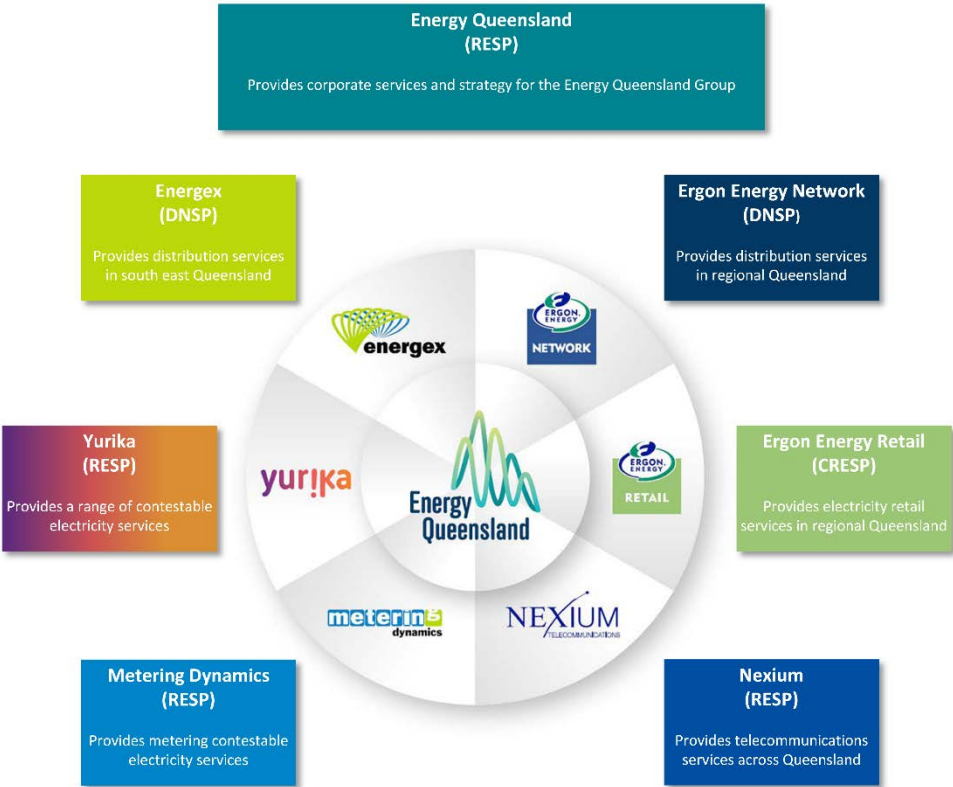
2.1.1 Legal separation

Energex, as a DNSP, is part of the Energy Queensland Group of companies as shown in **Figure 2**. Included in this group are:

- **Energy Queensland Limited** (Energy Queensland) - the parent company which provides administrative, corporate and management functions;
- **Energex Limited** (Energex) - the distribution network service provider operating in south east Queensland;
- **Ergon Energy Corporation Limited** (Ergon Energy Network) - the distribution network service provider operating in regional Queensland;
- **Ergon Energy Queensland Pty Limited** (Ergon Energy Retail) – a related electricity service provider, providing standard retail contracts to regional Queensland customers; and
- **Yurika Pty Limited**- a related electricity service provider, with two subsidiaries:
 - **Metering Dynamics Pty Limited** which provides contestable metering services across the National Electricity Market; and
 - **Ergon Energy Telecommunication Pty Ltd (trading as Nexium)** which provides telecommunications services but not contestable electricity services.

All companies are separate legal entities registered with the Australian Securities Investment Commission, each with its own board of directors and ring-fencing compliant constitutions and board charters.

Figure 2: Energy Queensland Group of companies



2.1.2 Establish and maintain accounts

Established documented work procedures are in place for finance staff which provide instructions on how accounts are to be separated between the affiliated entities.

During the year Energy Queensland maintained separate accounts for Energex and the affiliated entities. We have ensured that costs for distribution services have been allocated in accordance with Energex's Cost Allocation Methodology (CAM), as approved by the AER. Energex's audited financial data will be provided to the AER through the annual Regulatory Information Notice (RIN) responses on 31 October 2019.

2.2 Functional separation

2.2.1 Obligation not to discriminate

Training

All Energex staff are required to undergo mandatory ring-fencing refresher training on an annual basis. Following the learnings of the first year of ring-fencing being fully enforceable, a significant review and refresh of the 2017-18 ring-fencing online training module was undertaken in quarter 3 2018-19. While this review was undertaken, ring-fencing training was put on hold however fact sheets, FAQs and training materials were still available for staff.

The new training module that has been implemented provides a significantly more comprehensive overview of the Guideline obligations and how they apply to the Energy Queensland Group than did the 2017-18 module, which was developed before the Guideline became fully enforceable.

The new module commenced a staged roll out in May 2019 to allow for user testing, feedback and adjustments where necessary. Due to the original training being placed on hold while the new module was developed, the completion rate for the ring-fencing training had dropped to 19 per cent across the entire Energy Queensland Group by the start of May. However, as at 30 June 2019, over 50 percent of Energy Queensland staff had completed the new training module and, as at the time of preparation of this annual report, over 85 per cent of all Energy Queensland staff have now completed the training. It is anticipated that training completion rates will continue to increase in the coming months.

Reviews of tender processes and documentation

The procurement group conducts six monthly reviews of tender and contract documents to ensure assessments are conducted and where it is identified that ring-fencing applies, the service provider guidelines have been included in the signed contract.

Processes documents, tender templates and contract document templates are also reviewed and updated as required.

2.2.2 Offices, staff, branding and promotions

Physical separation/co-location

In the 2017-18 regulatory year, all Energex's office locations were reviewed to ensure staff providing direct control services are separated from the affiliated entity staff involved in providing contestable electricity services. Where possible, staff providing contestable electricity services were moved to separate buildings. In cases where this was not possible, staff were moved to a restricted-access area or floor within a building. Staff access passes were updated to ensure impacted staff are no longer able to access office areas involved in direct control services. This arrangement was maintained during 2018-19.

Staff sharing

During the 2017-18 regulatory year all staff positions in Energex were assessed against the criteria under the Guideline for which staff can be shared between the DNSP and a related electricity service provider (RESP). The nature of the positions identified, including the roles and duties of the staff, as well as the applicable Guideline clause which allows for sharing, have been included in the Staff Sharing Register which is available on the Energex website.

In the 2018-19 regulatory year, positions have been reviewed on an as required basis, to determine if they need to be added to, amended, or removed from the register.

Branding and cross-promotion

Energy Queensland maintains a Brand Centre on its intranet which provides the central source of all brand information to ensure Energex and its related affiliates maintain compliance with the ring-fencing obligations. The External Branding Guideline and Email Signature Guideline provides detailed information for each entity in the Group and ring-fencing compliant templates for use by staff.

Energy Queensland's branding team actively monitor external-facing web-sites, Facebook, and LinkedIn pages and other electronic and physical areas where potential ring-fencing breaches may occur.

Significant progress has also been made on moving towards full compliance with Energex's uniform and fleet branding obligations for which it currently has a waiver until 31 December 2019. Final design of the new uniforms has been completed and trials of the uniforms have commenced.

Office and staff registers

In 2018, a register of all Energex sites was placed on Energex's website. These were reviewed throughout 2018-19 regulatory year and no amendments were required. A staff sharing register, available on Energex's website, was also reviewed during 2019 and amended on an as needs basis.

Energex's office register can be viewed via the following link:

https://www.energex.com.au/_data/assets/pdf_file/0008/760418/Office-sharing-register.pdf

Energex's staff sharing register can be viewed via the following link:

https://www.energex.com.au/_data/assets/pdf_file/0009/760419/Staff-sharing-register.pdf

2.3 Information access and disclosure

Protection of confidential information

During 2018-19 significant progress has been made in refining our approach to the protection of confidential electricity information (CEI).

The short-term strategy for 2018-19 focused on identifying CEI data storage areas, reviewing and reporting on contestable affiliate's user access, and developing controls for ongoing protection. This has been done using existing technology tools, largely as a manual investigation.

The implementation of the short-term strategy has also enabled us to better understand how CEI should be managed. Our mid-to-long term strategy is to approach the protection of CEI using a data-centric technology architecture. Investigations are underway to determine the most cost-effective solution to improve data protection. Consideration is being given to both internally developed and commercial-off-the-shelf data protection platforms.

We are currently evaluating whether we can include ring-fencing CEI as part of an enterprise-wide content management application that is based on a unified information classification platform so all forms of CEI and its lifecycle can be pre-determined once mature user access and information security policies and processes are in place.

Disclosure and sharing of information

For the period 1 January 2018 to 30 June 2019, no confidential information was shared by Energex to its affiliated entities, and no requests for access to Energex's information register by competitors or potential competitors was received.

Information register

Energex has published an information sharing register on its external website. Energex's information sharing register is available via the following link:

https://www.energex.com.au/data/assets/pdf_file/0019/760420/Information-sharing-register.pdf

3 Waivers

Section 5 of the Guideline allows for a DNSP to seek a waiver of obligations under clauses 3.1, 4.2 and/or 4.41(a) if certain conditions are met.

Energex has an established, maintained register of all waivers (including any variations) granted to it by the AER, which is published on its website. The register makes clear the terms and conditions of the waiver, including the specific conduct to which the waiver applies. Energex's waiver register is available for viewing via the following link:

https://www.energex.com.au/_data/assets/pdf_file/0006/760416/Ring-fencing-waiver-register.pdf

Energex had the following two waivers of its obligations in force during the 2018-19 regulatory year:

1. Waiver in relation to the prospective reclassification of the following services:
 - emergency recoverable works;
 - public lighting and nightwatchman lights;
 - high load escorts;
 - property services;
 - network related training courses;
 - rental and hire services; and
 - sale of inventory.
2. Waiver to allow Energex to continue to use its branding on uniforms and fleet used in the provision of the following other services:
 - test, inspect and calibrate services;
 - contracting services to other network service providers;
 - operation and maintenance of customer assets;
 - equipment services;
 - training to external parties; and
 - type 1-4 metering services.

Projects are under way to transition to full compliance within the required timeframes for Energex's waivers.

4 Compliance and enforcement

Clause 6.1 of the Guideline requires a DNSP to establish and maintain appropriate internal procedures to ensure it complies with its obligations under the Guideline. Such matters have been addressed within this Compliance Report with additional comments below.

Energy Queensland operates with a three lines of defence model for risk and compliance, including for the management of ring-fencing compliance. Compliance incidents are assessed using the EQL Risk Evaluation (Consequence and Likelihood) Matrix and escalated and reported using the EQL Risk Reporting Escalation Mechanism. There is centralised reporting of compliance matters through monthly compliance reporting by Management who are responsible for identifying and managing compliance risks. The Enterprise Risk and Compliance team work closely with Legal, Regulation and Pricing teams to ensure efficient and effective responses to compliance risk, including periodic, targeted compliance awareness programs and independent reviews of compliance performance. The Internal Control and Audit team take a risk-based audit approach and provide independent assurance over control effectiveness.

Energex has set up a dedicated internal email address for any questions, issues and to report any potential breaches regarding ring-fencing compliance with the Guideline. The email address is monitored by members of the Legal, Regulation and Pricing team. Energex staff have used this avenue to seek advice and clarification, and to report if they are aware of any potential breach. A dedicated ring-fencing FAQ site has also been set up to provide a single source of ring-fencing information and advice to Energy Queensland staff.

As was the case in 2017-18, ring-fencing controls have been assigned to responsible officers within the business who are best placed to manage and monitor compliance.

Following on from learnings from the first independent assessment undertaken for the 2017-18 regulatory year and building on the practical learnings we developed from the first 12 months of the Guideline being enforceable (1 January 2018 to 31 December 2018) a complete review of the Ring-fencing Control Framework (Framework) was undertaken in quarter 3 2018-19. This review saw a number of changes to the original framework including the identification of more detective and corrective controls. The process for implementing these controls commenced rolling out in quarter 4.

During 2018-19, the 'Reporting potential Ring-fencing breaches – Guidance for Energy Queensland staff' and 'Ring-fencing controls testing – Guidance for investigating exceptions and escalating suspect findings' were developed and published on the intranet for staff to use.

Energy Queensland is preparing to implement an electronic Governance Risk and Compliance tool which will provide an integrated, shared view of governance risk and compliance risk exposure and allow for centralised, holistic management of compliance obligations, risks, controls and monitoring of compliance activities and performance. The Governance Risk and Compliance tool is planned for go-live in January 2020.

5 Annual Reporting

The AER's Guideline also requires this Compliance Report to identify and describe other matters. Energex has responded to these matters below.

Breaches of guideline

Clause 6.2.1(b) ii of the Guideline requires DNSPs to report any breaches of the Guideline by the DNSP, or which otherwise relate to the DNSP.

Energex has established a methodology for assessing materiality of potential ring-fencing breaches. This methodology was presented to the AER during 2017-18. As agreed with the AER, Energex has committed to report non-material breaches (for the near term).

There were no material or non-material breaches of the Guideline identified by Energex during the 2018-19 regulatory year.

Other services provided

Clause 6.2.1(b)iii of the Guideline requires DNSPs to report all other services provided by the DNSP in accordance with clause 3.1 of the Guideline. Specifically, the provision of 'other services' is subject to the granting of ring-fencing obligation waivers by the AER (clause 3.1(d) vi).

Energex has been granted a waiver for the provision of the following services:

- emergency recoverable works;
- public lighting and nightwatchman lights;
- high load escorts;
- property services;
- network related training courses;
- rental and hire services; and
- sale of inventory.

These services will continue to be provided as outlined in the waiver application until 30 June 2020. No 'other services' have been provided by Energex.

Transactions with affiliate entities

Section 6.2.1(b)iv requires DNSPs to report the purpose of all transactions between the DNSP and its affiliated entities.

Throughout the 2018-19 regulatory year, Energex had a limited number of transactions with affiliated entities. These transactions between affiliated entities are captured in Energex's accounting and finance systems.

The DNSP's historically incurred the majority of their costs within the entity, but as a result of corporate restructuring, more costs are now captured in the parent entity (EQL) and charged to the entities within the Group. Costs relating to the program of work (i.e. projects and work orders) are directly charged to projects and recorded in the relevant entity. This may involve the use of labour force from either DNSP and/or EQL. Other indirect costs and overheads are allocated via the CAM.

The DNSP's also transact with Yurika to provide labour as required and certain support costs / overheads are allocated to these entities in accordance with the CAM.

Further transaction details are provided in **Table 1** below.

Table 1: Transactions between Energex and affiliated entities

Affiliated Entity	Cost Type	Transaction Description and Purpose
Ergon Energy Network	Labour	<p>Labour costs comprise direct and indirect costs.</p> <p>Direct labour costs are those that are directly attributable to Energex projects and work orders. These include:</p> <ul style="list-style-type: none"> - wages; - overtime; - allowances; and - on costs. <p>Indirect labour costs are recovered as either Network or Corporate Overheads.</p>
Ergon Energy Network	Materials	<p>Material costs comprise the following direct costs:</p> <ul style="list-style-type: none"> - direct acquisitions; - goods issued; and - other miscellaneous material costs
Ergon Energy Network	Contractor	<p>Contractor costs comprise direct costs where Ergon Energy has engaged a contractor to perform works or services for Energex:</p> <ul style="list-style-type: none"> - contractor costs; and - consulting costs.
EQL	Network and Corporate Overheads	<p>Overheads comprise indirect costs incurred by the EQL Group. These are charged to Energex in accordance with the CAM and reported as Network or Corporate Overhead. These costs consist of:</p> <ul style="list-style-type: none"> - indirect labour and contractors; - office supplies; - utilities; - audit services; - legal services; - other professional fees & expenses; - licence fees (excluding motor vehicle rego fees); - subscriptions and registrations; - telephone, postage and courier service costs; - rental costs; and - insurance (other than motor vehicle and personnel).

Affiliated Entity	Cost Type	Transaction Description and Purpose
SPARQ	ICT related overheads	This category comprises overhead costs incurred by Energex in relation to ICT services. These costs include: <ul style="list-style-type: none"> - assets usage fee; - labour, contractor costs; - license and maintenance fees; and - telecommunication expense.
Yurika (including Nexium and Metering Dynamics)	Various support services provided to Yurika	These services include: <ul style="list-style-type: none"> - installation/replacement of meters; - infrastructure services; - operating and maintenance services on generators; and - finance and corporate shared services.

Independent assessment

Clause 6.2.1(c) of the Guideline requires the DNSP's annual compliance report to be accompanied by an assessment of compliance with the Guideline by a suitably qualified independent authority.

Energex engaged the services of Deloitte to undertake a reasonable assurance review of Energex's compliance against the Guideline requirements. The review covered the period from 1 July 2018 to 30 June 2019. Deloitte's review report is provided as an **Attachment 1** to this Report.

6 Appendix 1 – Compliance controls

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C1	Ensure costs are allocated appropriately	The Cost Allocation Methodology (CAM) has been updated to ensure there is an approved process for capturing ring-fencing cost-reflective transactions and allocating costs between DNSPs and RESPs.	<ul style="list-style-type: none"> CAM continues to incorporate ring-fencing requirements (HP) Treasury Agreement in place between affiliated entities (HP) RINs audited annually for compliance (HDC) Monthly variance analysis conducted (HDC) Monthly reconciliation of budget vs actual (HDC) 	3. Prevention of Cross Subsidies	3.2 Establish and Maintain Accounts	3.2.1(a) Est and maintain appropriate internal accounting procedures 3.2.2(a),(b) Allocate or attribute costs
C2	Ensure Financial Systems are Ring-fencing compliant	DNSP's Enterprise Resource Management system updated to capture DNSPs and RESPs and to accurately record the entire range of transactions between the affiliated entities, including: <ul style="list-style-type: none"> Procurement Financial; and HR 	<ul style="list-style-type: none"> ELLIPSE reconfigured to meet Ring-fencing Guideline requirements and capture transactions (HP) Access to ELLIPSE districts controlled by security (HP) System detects potential erroneously-coded transactions, flags and corrects where required (HDC)	3. Prevention of Cross Subsidies	3.2 Establish and Maintain Accounts	3.2.2(c) Establish, maintain and keep records 4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated
C3	Secondments between DNSPs and RESPs are ring-fencing compliant	HR notifications to IT are being set up to identify start and end dates for secondments, currently this is required to be a manual process. For secondments: <ul style="list-style-type: none"> RESP staff are physically separated from DNSP staff Access to confidential information is appropriately applied depending on whether employee is DNSP, RESP or corporate support. 	<ul style="list-style-type: none"> Ellipse will be updated to recognise movements between DNSP and RESP – currently manual process (HP) Automatic notifications generated (IT, Access, physical location) (HP) Appropriate IT accesses applied to new position (HP) Staff located appropriate to RESP/DNSP position (HPC) Random audits of staff movements and accesses undertaken (HDC)	4. Functional Separation	4.2 Offices, staff, branding and promotions 4.3 Information Access and Disclosure	4.2.1(a) Separate offices 4.2.2(a) DCS marketing and provision Staff not involved in RESP provision and marketing 4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C4	Ensure all new EQL staff are aware of their ring-fencing obligations and provided with appropriate accesses	<p>All EQL Group position descriptions include mention of potential ring-fencing obligations</p> <p>HR onboarding online training includes introduction to ring-fencing obligations</p> <p>All new employees are required to complete the online Ring-fencing awareness training module</p> <p>HR Checklists and onboarding for new staff ensure:</p> <ul style="list-style-type: none"> • Staff have been made aware of ring-fencing obligations • Access to confidential information is appropriately applied depending on whether employee is DNSP, RESP or corporate support. • Staff are located appropriate to their role as a RESP vs DNSP employee • Employee/contractor role descriptions do not include marketing and/or provision roles for both the DNSP and RESP 	<ul style="list-style-type: none"> • EQL employee induction material includes ring-fencing awareness requirements (SP) • All new staff are required to undertake mandatory ring-fencing awareness online module training (SP) • All role descriptions updated to include ring-fencing obligation as role responsibility (HP) • All role descriptions updated to ensure description does not include a requirement to undertake both RESP and DNSP activities (HP) • Staff are located in offices based on role and ring-fencing physical separation requirements to building services for appropriate ring-fencing physical separation based on DNSP/RESP role (HP) 	4. Functional Separation	<p>4.1 Obligation not to Discriminate</p> <p>4.2 Offices, staff, branding and promotions</p> <p>4.3 Information Access and Disclosure</p> <p>4.4 Service providers</p>	<p>4.1(b) DNSP must not discriminate</p> <p>4.2.1(a) Separate offices</p> <p>4.2.2(a) DCS marketing and provision Staff not involved in RESP provision and marketing</p> <p>4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated</p> <p>4.4.1(a) Service providers compliance with Guideline</p>
C5	Legal Separation of DNSPs and RESPs	<p>DNSPs and RESPs are legally separated entities</p>	<ul style="list-style-type: none"> • All EQL Group companies have separate ABNs and are registered with ASIC (HP) • Protocols exist for the creation of ring-fencing compliant new companies (HP) • Constitutions are ring-fencing compliant (HP) • Board Charters ring-fencing compliant (HP) • Board paper templates include means for identifying ring-fenced papers (HP) • Executive Governance Framework includes mechanism for Executive General Managers who undertake both regulated and unregulated roles (HP) 	3. Prevention of Cross Subsidies	3.1 Legal Separation	<p>3.1(a) Separate legal entity</p> <p>3.1(b) DNSP only to provide Distribution and Transmission Services</p>

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C6	Ensure fleet branding protocols are Ring-fencing compliant	Fleet branding protocols incorporate ring-fencing requirements for branding of DNSP/RESP vehicles	<ul style="list-style-type: none"> Fleet branding for non-waiver related DNSP/RESP fleet follow approved ring-fencing Branding Guidelines (HP) Staff are made aware of vehicle usage based on DNSP/RESP usage (SP) 	4. Functional Separation	4.2 Offices, staff, branding and promotions	4.2.3(a) Branding and advertising
C7	Ensure fleet branding that is currently the subject of a waiver is made ring-fencing compliant	Project established and underway to transition to full compliance with the Ring-fencing Guideline by 31 December 2019	<ul style="list-style-type: none"> Work well progressed to ensure fleet branding is fully ring-fencing compliant prior to the Uniform and Fleet waiver expiring on 31 December 2019 White magnetic stickers are to be placed over DNSP logos on vehicles prior to undertaking unregulated works (HPC) 	4. Functional Separation 5. Waivers	4.2 Offices, staff, branding and promotions 5.7 Waiver register	4.2.3(a) Branding and advertising N/A
C8	Physical separation controls are ring-fencing compliant	<p>Physical separation controls have been implemented to ensure appropriate separation of DNSP and RESP staff including:</p> <ul style="list-style-type: none"> In SEQ, where a significant volume of DSNP and Non-DSNP staff are located, the Non-DSNP staff are all co-located in a separate office, Ann St. In regional centres, and the EQL headquarters in Townsville, the Non-DSNP staff are located on separate floors of office buildings to DSNP staff, or staff or co-located with shared services staff that support all EQL businesses, depending on the volume of Non-DSNP staff. In areas with less than 25,000 customer connection points within a 100km radius, the Non-DSNP staff may work near the DSNP staff, in accordance with ring fencing exemptions. Physical brand signage is appropriately maintained based on location 	<ul style="list-style-type: none"> Individual office security arrangements are based on type of offices (RESP only, DNSP only, mixed DNSP/RESP, regional) (HSPC) Staff re-located based on roles –DNSP / Corporate / RESP (HP) Physical signage has been updated to reflect ring-fencing appropriate occupancy (HP) Electronic security access to all sites (HP). Random spot checks undertaken including physical walk throughs / interviews with staff (HPDC) 	4. Functional Separation	4.2 Offices, staff, branding and promotions 4.3 Information Access and Disclosure	4.2.1(a) Separate offices 4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C9	Ring-fencing compliance management is in place	Compliance Management Policy incorporates Ring-fencing obligations	EQL Compliance Management Policy applies to Energex as a subsidiary of the Group and it covers all of the EQL Group's compliance obligations, including Energex's ring-fencing obligations under the Guideline. (SP) <ul style="list-style-type: none"> Confidential Information Policy includes ring-fencing obligations (SP) Ring-fencing risks assessed using the EQL risk matrix (SP) Ring-fencing compliance included as BAU in DNSP board compliance reporting (SP) 	6. Compliance and Enforcement	6.1 Maintaining compliance	N/A
C10	Contracts are ring-fencing compliant	Contracts incorporate ring-fencing obligations where necessary	<ul style="list-style-type: none"> Contract templates have been updated to reflect ring-fencing requirements where applicable (HP) Random audits of contracts will be undertaken to check for compliance (HDC) 	4. Functional Separation	4.1 Obligation not to Discriminate 4.2 Offices, staff, branding and promotions 4.3 Information Access and Disclosure 4.4 Service providers	4.1(b) DNSP must not discriminate 4.2.3(a) Branding and advertising 4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated 4.4.1(a) Service providers compliance with Guideline 4.4.1(b) Service providers incentives
C11	Ring-fencing Breach Register and Reporting	Breach register is maintained and up-to-date and protocols	<ul style="list-style-type: none"> Ring-fencing breach register is created, maintained and updated (SD) Breach notification and reporting procedure in places (SP) Breach reporting guidance document available for EQL staff on the intranet (SD) Guideline in place for the treatment of exceptions found during control testing, including advice on escalating findings for investigation guideline available for control owners (SP) 	6. Compliance and Enforcement	6.1 Maintaining compliance 6.2 Compliance reporting 6.3 Compliance breaches	N/A N/A N/A

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C12	Organisational documents and templates reflect Ring-fencing requirements	All organisational documents and templates are up-to-date and reflect ring-fencing requirements including appropriate branding	<ul style="list-style-type: none"> All key documents reviewed and rebranded to ensure compliance (HP) Annual review of documents to ensure ongoing compliance (SC) 	4. Functional Separation	4.2 Offices, staff, branding and promotions	4.2.3(a) Branding and advertising
C13	Brand guidelines are ring-fencing compliant	Branding guidelines are current and reflect appropriate ring-fencing branding obligations	<ul style="list-style-type: none"> EQL branding guidelines updated to reflect ring-fencing requirements (HP) Branding guidelines easily accessible on Intranet (SP) EQL email signature guidelines are in available on the EQL Brand Centre (SP) Brand Centre site is available and up to date (SP) 	4. Functional Separation	4.2 Offices, staff, branding and promotions	4.2.3(a) Branding and advertising
C14	Ensure uniform branding that is currently the subject of a waiver is made ring-fencing compliant	Project established and well underway to transition to full compliance with the Ring-fencing Guideline by 31 December 2019	<ul style="list-style-type: none"> Final design of ring-fencing compliant uniforms completed (HP) Uniform sizing for individual staff and practical testing has commenced and the new uniforms have been ordered (HC) 	4. Functional Separation	4.2 Offices, staff, branding and promotions	4.2.3(a) Branding and advertising
				5. Waivers	5.7 Waiver register	N/A

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C15	IT ring-fencing audit automation	<p>Currently, testing of access to DNSP CEI remains a manual process, requiring staff to runs scripts against RESP lists.</p> <p>Exceptions are investigated for potential breaches and remediation activities undertaken.</p> <p>Investigation are ongoing for the most cost-effective option to automate this process.</p>	<ul style="list-style-type: none"> RESP staff list is updated regularly and checked against known ring-fenced IT sources (HPDC) Remediation areas identified and rectification activities commenced if required (HC) All SharePoint sites have been assessed to determining if they should be ring-fenced and action taken to remove RESP access where required and testing of access conducted (HC) Procedures put in place requiring ring-fencing assessment of new SharePoint sites (HP) 3,783 information sources assessed to determine ring-fencing status and RESP access removed where required Ongoing refinement and review of ring-fencing assessed source conducted throughout 2018-19 (HC) Investigations ongoing to examine the most cost-effective solution to automate access testing. Consideration is being given to both internally developed solutions and external vendor options. (SP) 	4. Functional Separation	<p>4.3 Information access and disclosure</p> <p>4.3 Information access and disclosure</p>	<p>4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated</p> <p>4.3.3(a)-(h) DNSP must not disclose confidential information</p>
C16	Staff computer access is Ring-fencing compliant	ICT security access procedures incorporate ring-fencing obligations including access provided based on DNSP/RESP approved programs	<ul style="list-style-type: none"> Use-of-Systems (UoS) agreement updated to include ring-fencing requirements. All staff are required to agree to the UoS every time they log-in to the system (HP) IT teams have ring-fencing lists for determining access requests based on DNSP/RESP approved list (HP) All RESP requests to access to potential CEI sources are reviewed by the regulatory team and assessed against lists of CEI information sources prior to approval (HPDC) <p>Process for querying suspect requests in place and updating lists (SDC)</p>	4. Functional Separation	4.3 Information access and disclosure	<p>4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated</p> <p>4.3.3(a)-(h) DNSP must not disclose confidential information</p>

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C17	System for assessing ring-fencing Breaches in place	<p>Ring-fencing breach identification and materiality assessment protocols in place are in place once potential breach notifications have been received.</p> <p>Protocols are in place and available on the intranet which provide guidance to EQL staff on how to report for investigation potential ring-fencing breaches and exceptions found during control testing</p> <p>Protocols are in place to guide ring-fencing control owners on how to treat and escalate for investigation exceptions found during ring-fencing control testing</p>	<ul style="list-style-type: none"> Ring-fencing breach assessment protocol in place (HD) Materiality Calculator in place which assesses breaches to determine if material (HD). Notification protocols in place to ensure capture and reporting of potential breaches (HD) Ring-fencing control testing exceptions guidance document available for control owners to advise on how to ensure exceptions found during testing are capture, escalated for investigation and utilised to strengthen controls (SPDC) <p>Remediation activities undertaken as part of assessment process correct issue and ensure/minimise risk of future similar breaches (SHPDC)</p>	6. Compliance and Enforcement	6.1 Maintaining compliance	N/A
C18	DNSP and RESP staff are aware of ring-fencing obligations	DNSP and RESP staff are made aware of ring-fencing obligations including annual obligatory refresher training and ring-fencing training incorporated into onboarding.	<ul style="list-style-type: none"> Ring-fencing Awareness training module has undergone a significant update and has been rolled out (SP) Ring-fencing training added to annual EQL compliance training requirements (SP) Central ring-fencing FAQ SharePoint /Intranet page available for staff (SP) ring.fencing@energyq.com.au email address available for all staff to request clarifying advice on ring-fencing issues. Ring-fencing email also used for reporting of suspected breaches (SDC) 	6. Compliance and Enforcement	6.1 Maintaining compliance	N/A
C19	Office Registers and Staff Registers	Office Registers and Staff Registers publicly available and up-to-date	<ul style="list-style-type: none"> Registers available and easy to access on the EQL intranet (SP) Registers available on the Energex website (SP) Registers updated as required (SPC) Staff sharing quick reference matrix available and easy to access on the EQL intranet (SP) 		4.2 Offices, staff, branding and promotions	4.2.4(a),(b) Office register and Staff Registers

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C20	Information Sharing Register	Information Sharing Register publicly available and up-to-date	<ul style="list-style-type: none"> Register available and easy to access on the EQL intranet (SP) Register available on the Energex website (SHP) Register updated as required (SHPC) 	4. Functional Separation	4.3 Information Access and Disclosure	4.3.5(a)-(c) Information sharing register
C21	Waiver Register	Waiver Register publicly available and up-to-date	<ul style="list-style-type: none"> Register available and easy to access on the EQL intranet (SP) Register available on the Energex website (SHP) Register updated as required (SHP) 	5. Waivers	5.7 Waiver register	5.7(a) Waiver Register 5.7(b) Waiver Description and conditions
C22	Information Sharing	Information Sharing Guideline and decision trees are up to date and in place	<ul style="list-style-type: none"> Energex Information Sharing Protocol available and easy to access on the EQL intranet (SP) Energex Information Sharing Protocol available on the Energex website (SP) Information sharing decision tree available to all staff via Intranet site (HP) 	4. Functional Separation	4.3 Information Access and Disclosure	4.3.4(a),(d) and (e) Information sharing
C23	Remuneration incentives are ring-fencing compliant	Remuneration incentives are ring-fencing compliant for staff eligible for bonuses	<ul style="list-style-type: none"> Remuneration template is ring-fencing compliant based on staff position (SP) Random sampling of staff contracts undertaken (HPDC) 	4. Functional Separation	4.2 Offices, staff, branding and promotions	4.2.2(c) DNSP remuneration, incentives etc.
C24	DNSP tender processes for contestable services consider ring-fencing obligations	DNSP tender processes for contestable services consider ring-fencing obligations to ensure RESPs do not receive favourable treatment and DNSP service providers are aware of their ring-fencing obligations.	<ul style="list-style-type: none"> Tender documents incorporate ring-fencing requirements (HP) Random audits of tenders undertaken to determine compliance (HDC) 	4. Functional Separation	4.1 Obligation not to Discriminate	4.1(b) DNSP must not discriminate
C25	System Access controls for shared staff	System access controls are in place for customer service and dispatch staff to allow them to perform regulated and unregulated work in compliance with the Ring-fencing Guideline	<ul style="list-style-type: none"> System alarms alert team leader when inappropriate accesses occur and team leader investigates Call centre processes incorporate ring-fencing obligations 	4. Functional Separation	4.3 Information access and disclosure	4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated 4.3.3(a)-(h) DNSP must not disclose confidential information



Ergon Energy Network Annual Ring-Fencing Compliance Report

2018-19

31 October 2019



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1 Introduction

1.1 Background

The Australian Energy Regulator (AER) first published its Ring-fencing Guideline (Guideline) and accompanying Explanatory Statement for Electricity Distribution on 30 November 2016 under the National Electricity Rules (NER).

Under NER clause 6.17.1 the Guideline is binding on distribution network service providers (DNSPs) and seeks to promote competition in the provision of electricity services, whilst preventing DNSPs from providing their affiliates, operating in unregulated markets, from having an unfair advantage.

The Guideline commenced on 1 December 2016 with full compliance required by 1 January 2018.

On 17 October 2017, the AER released a final amended [Ring-fencing Guideline \(Version 2\) and accompanying Explanatory Statement](#) against which Ergon Energy Network's (Ergon Energy's) compliance has been assessed.

1.2 Purpose

The Guideline requires Ergon Energy to prepare an annual ring-fencing compliance report for submission to the AER each regulatory year. In accordance with section 6.2.1(b) of the Guideline, the annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:

- the measures the DNSP has taken to ensure compliance with its obligations under this Guideline;
- any breaches of the Guideline by the DNSP, or which otherwise relate to the DNSP;
- all other services provided by the DNSP in accordance with clause 3.1; and
- the purpose of all transactions between the DNSP and an affiliated entity.

In accordance with section 6.2.2 of the Guideline, an annual compliance report must be submitted to the AER within four months of the end of the regulatory year to which the compliance report relates (i.e. 31 October).

The annual compliance report must also be accompanied by an assessment of compliance by a suitably qualified independent authority.

Accordingly, this report represents Ergon Energy's Annual Ring-Fencing Compliance Report for the regulatory year ending 30 June 2019 (Ergon Energy 2018-19 Ring-Fencing Compliance Report), covering the reporting period from 1 July 2018 to 30 June 2019. This report is structured to align with the reporting obligations specified in clause 6.2 of the Guideline.

This report should be read together with Ergon Energy's [Ring-fencing Compliance Strategy](#) and [Waivers](#) as published on the AER and Ergon Energy websites. Ergon Energy does not claim confidentiality over this submission or any attachments.

2 Measures to ensure compliance

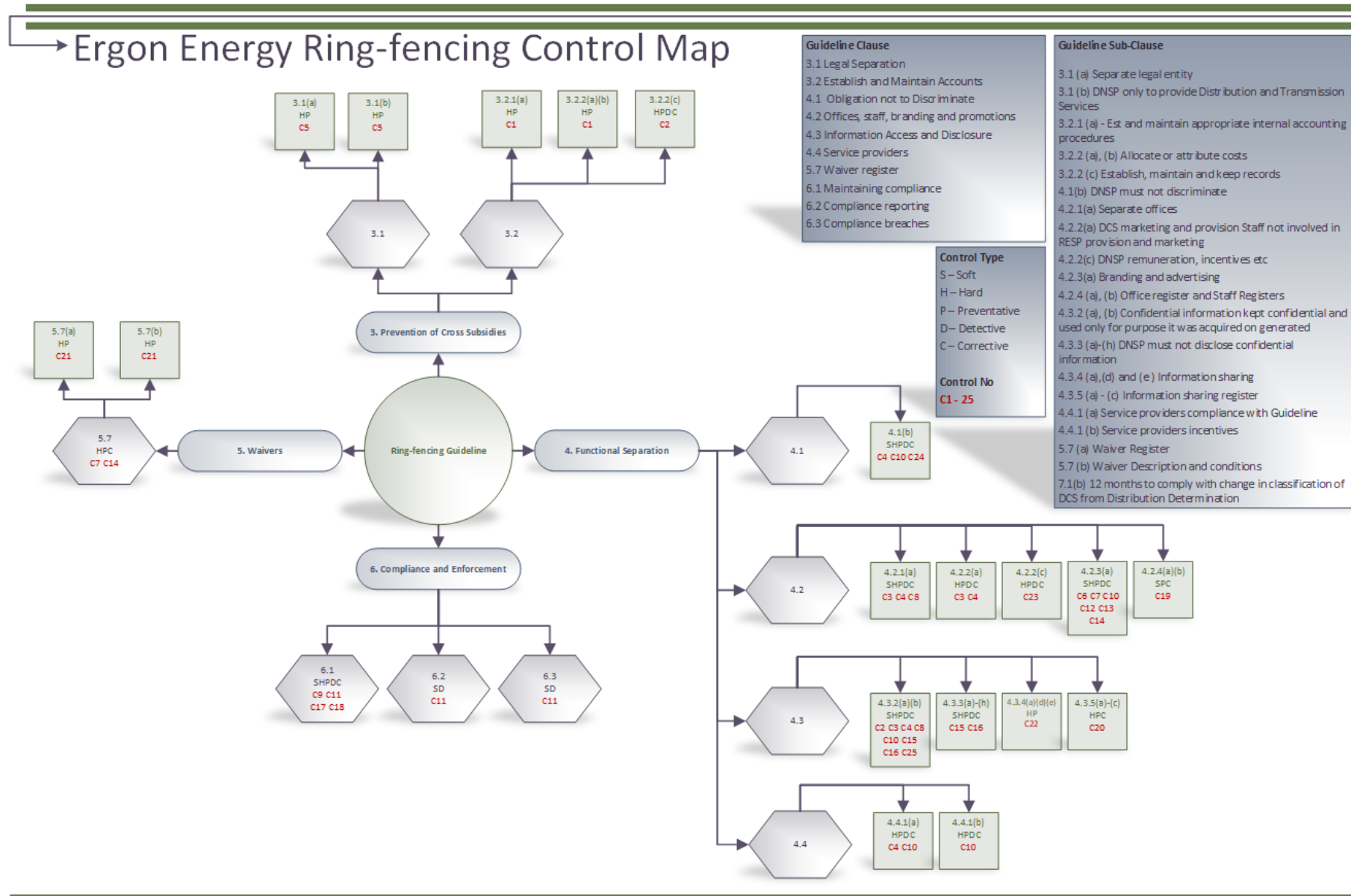
Clause 6.2.1(b)i of the Guideline requires that the annual compliance report must identify and describe, in respect of the regulatory year, the measures the DNSP has taken to ensure compliance with its ring-fencing obligations.

Throughout the 2018-19 regulatory year, Ergon Energy has maintained and further strengthened the compliance measures developed in 2017-18 and implemented additional compliance activities. We have strengthened our controls in the following way:

- Comprehensively reviewed and updated the 2017-18 ring-fencing control framework to incorporate learnings from the first year of the Guideline being enforceable, particularly focusing on improving/increasing detective and corrective controls;
- Continued to review and analyse our sources of confidential electricity information and investigate options to automate testing of these sources;
- Reviewed and significantly enhanced our compulsory online ring-fencing training in response to the learnings of the first full year of ring-fencing compliance to better facilitate staffs' practical understanding of our ring-fencing obligations;
- Achieved Gate 3 approval on Energy Queensland's Governance Risk and Compliance Tool which, once implemented, will provide a centralised view of Energy Queensland's compliance obligations (including Ergon Energy's ring-fencing compliance activities);
- Progressed the project to implement ring-fencing compliant uniforms and fleet. We remain on target to meet the 31 December 2019 Uniform and Fleet waiver expiry deadline;
- Undertook a second line of defence review of Ergon Energy's ring-fencing risk and reported the findings to the Ergon Energy Board and Energy Queensland Board's Risk & Compliance Committee; and
- Undertook a third line of defence ring-fencing review and reported the findings to the Energy Queensland Board's Audit and Risk Committee.

Ring-fencing compliance controls implemented include a mixture of preventative, detective and corrective controls. A full list of the controls, including a description and the relevant compliance actions, is provided in **Appendix 1**. These controls have also been mapped against the obligations in the Guideline to which they primarily apply (refer **Figure 1**, following page).

Figure 1: Ring-fencing control map



Control Type	Control No
S – Soft	C1 - 25
H – Hard	
P – Preventative	
D – Detective	
C – Corrective	

2.1 Prevention of cross subsidies

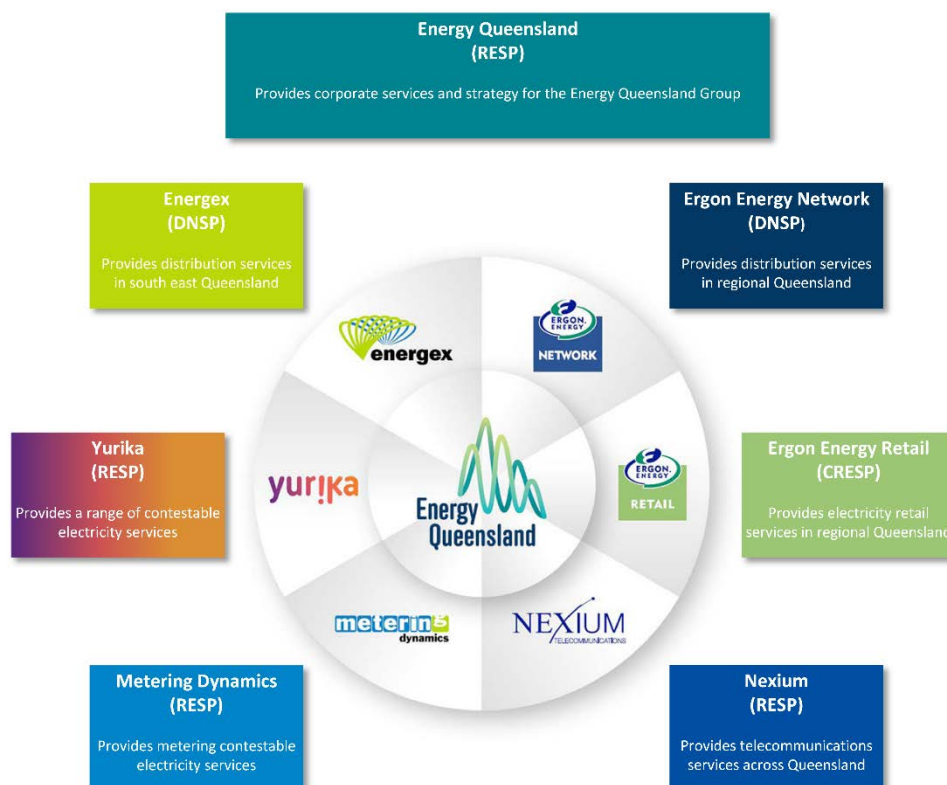
2.1.1 Legal separation

Ergon Energy, as a DNSP, is part of the Energy Queensland Group of companies as shown in Figure 2. Included in this group are:

- **Energy Queensland Limited** (Energy Queensland) - the parent company which provides administrative, corporate and management functions;
- **Energex Limited** (Energex) - the distribution network service provider operating in south east Queensland;
- **Ergon Energy Corporation Limited** (Ergon Energy Network) - the distribution network service provider operating in regional Queensland;
- **Ergon Energy Queensland Pty Limited** (Ergon Energy Retail) – a related electricity service provider, providing standard retail contracts to regional Queensland customers; and
- **Yurika Pty Limited**- a related electricity service provider, with two subsidiaries:
 - **Metering Dynamics Pty Limited** which provides contestable metering services across the National Electricity Market; and
 - **Ergon Energy Telecommunication Pty Ltd** (trading as Nexium) which provides telecommunications services but not contestable electricity services.

All companies are separate legal entities registered with the Australian Securities Investment Commission, each with its own board of directors and ring-fencing compliant constitutions and board charters.

Figure 2: Energy Queensland Group of companies



2.1.2 Establish and maintain accounts

Established documented work procedures are in place for finance staff which provide instructions on how accounts are to be separated between the affiliated entities.

During the year Energy Queensland maintained separate set of accounts for Ergon Energy and the affiliated entities. We have ensured that costs for distribution services have been allocated in accordance with Ergon Energy's Cost Allocation Methodology (CAM), as approved by the AER. Ergon Energy's audited financial data will be provided to the AER through the annual Regulatory Information Notice (RIN) responses on 31 October 2019.

2.2 Functional separation

2.2.1 Obligation not to discriminate

Training

All Ergon Energy staff are required to undergo mandatory ring-fencing refresher training on an annual basis. Following the learnings of the full year of ring-fencing being fully enforceable, a significant review and refresh of the 2017-18 ring-fencing online training module was undertaken in quarter 3 2018-19. While this review was undertaken, ring-fencing training was put on hold however fact sheets, FAQs and training materials were still available for staff.

The new training module that has been implemented provides a significantly more comprehensive overview of the Guideline obligations and how they apply to the Energy Queensland Group than did the 2017-18 module, which was developed before the Guideline became fully enforceable.

The new module commenced a staged roll out in May 2019 to allow for user testing, feedback and adjustments where necessary. Due to the original training being placed on hold while the new module was developed, the completion rate for the ring-fencing training had dropped to 19 per cent across the entire Energy Queensland Group by the start of May. However, as at 30 June 2019, over 50 percent of Energy Queensland staff had completed the new training module and, as at the time of preparation of this annual report, over 85 per cent of all Energy Queensland staff have now completed the training. It is anticipated that training completion rates will continue to increase in the coming months.

Reviews of tender processes and documentation

The procurement group conducts six monthly reviews of tender and contract documents to ensure assessments are conducted and where it is identified that ring-fencing applies, the service provider guidelines have been included in the signed contract.

Processes documents, tender templates and contract document templates are also reviewed and updated as required.

2.2.2 Offices, staff, branding and promotions

Physical separation/co-location

In the 2017-18 regulatory year, all Ergon Energy's office locations were reviewed to ensure staff providing direct control services are separated from the affiliated entity staff involved in providing

contestable electricity services. Where possible, staff providing contestable electricity services were moved to separate buildings. In cases where this was not possible, staff were moved to a restricted-access area or floor within a building. Staff access passes were updated to ensure impacted staff are no longer able to access office areas involved in direct control services. This arrangement was maintained during 2018-19.

Staff sharing

During the 2017-18 regulatory year all staff positions in Ergon Energy were assessed against the criteria under the Guideline for which staff can be shared between the DNSP and a related electricity service provider (RESP). The nature of the positions identified, including the roles and duties of the staff, as well as the applicable Guideline clause which allows for sharing, have been included in the Staff Sharing Register which is available on the Ergon Energy website.

In the 2018-19 regulatory year, positions have been reviewed on an as required basis, to determine if they need to be added to, amended, or removed from the register.

Branding and cross-promotion

Energy Queensland maintains a Brand Centre on its intranet which provides the central source of all brand information to ensure Ergon Energy and its related affiliates maintain compliance with the ring-fencing obligations. The External Branding Guideline and Email Signature Guideline provides detailed information for each entity in the Group and ring-fencing compliant templates for use by staff.

Energy Queensland's branding team actively monitor external-facing web-sites, Facebook, and LinkedIn pages and other electronic and physical areas where potential ring-fencing breaches may occur.

Significant progress has also been made on moving towards full compliance with Ergon Energy's uniform and fleet branding obligations for which it currently has a waiver until 31 December 2019. Final design of the new uniforms has been completed and trials of the uniforms have commenced.

Office and staff registers

In 2018, a register of all Ergon Energy sites was placed on Ergon Energy's website. These were reviewed throughout 2018-19 regulatory year and no amendments were required.

A staff sharing register, available on Ergon Energy's website, was also reviewed during 2019 and amended on an as needs basis.

Ergon Energy's office register can be viewed via the following link:

https://www.ergon.com.au/_data/assets/pdf_file/0010/760429/Office-sharing-register.pdf

Ergon Energy's staff sharing register can be viewed via the following link:

https://www.ergon.com.au/_data/assets/pdf_file/0020/760430/Staff-Sharing-Register.pdf

2.3 Information access and disclosure

Protection of confidential information

During 2018-19 significant progress has been made in refining our approach to the protection of confidential electricity information (CEI).

The short-term strategy for 2018-19 focused on identifying CEI data storage areas, reviewing and reporting on contestable affiliate's user access, and developing controls for ongoing protection. This has been done using existing technology tools, largely as a manual investigation.

The implementation of the short-term strategy has also enabled us to better understand how CEI should be managed. Our mid-to-long term strategy is to approach the protection of CEI using a data-centric technology architecture. Investigations are underway to determine the most cost-effective solution to improve data protection. Consideration is being given to both internally developed and commercial-off-the-shelf data protection platforms.

We are currently evaluating whether we can include ring-fencing CEI as part of an enterprise-wide content management application that is based on a unified information classification platform so all forms of CEI and its lifecycle can be pre-determined once mature user access and information security policies and processes are in place.

Disclosure and sharing of information

For the period 1 January 2018 to 30 June 2019, no confidential information was shared by Ergon Energy to its affiliated entities, and no requests for access to Ergon Energy's information register by competitors or potential competitors was received.

Information register

Ergon Energy has published an information sharing register on its external website. Ergon Energy's information sharing register is available via the following link:

https://www.ergon.com.au/_data/assets/pdf_file/0006/760425/Information-sharing-register.pdf

3 Waivers

Section 5 of the Guidelines allows for a DNSP to seek a waiver of obligations under clauses 3.1, 4.2 and/or 4.41(a) if certain conditions are met.

Ergon Energy has an established, maintained register of all waivers (including any variations) granted to it by the AER, which is published on its website. The register makes clear the terms and conditions of the waiver, including the specific conduct to which the waiver applies. Ergon Energy's waiver register is available for viewing via the following link:

https://www.ergon.com.au/_data/assets/pdf_file/0009/760428/Networks-waiver-register.pdf

Ergon Energy had the following six waivers of its obligations in force during the 2018-19 regulatory year:

1. Waiver in relation to the prospective reclassification of the following services:
 - emergency recoverable works;
 - public lighting and nightwatchman lights;
 - high load escorts;
 - property services;
 - network related training courses;
 - rental and hire services; and
 - sale of inventory.
2. Waiver to continue to use the Ergon Energy brand for the retailer Ergon Energy Queensland;
3. Waiver to allow the offices at Mareeba and Charters Towers to be classified as regional offices;
4. Waiver to continue to offer generation, distribution and retail services, using the Ergon Energy brand and distribution staff in remote areas of Queensland;
5. Waiver to allow Ergon Energy to continue to use its branding on uniforms and fleet used in the provision of the following other services:
 - test, inspect and calibrate services;
 - contracting services to other network service providers;
 - operation and maintenance of customer assets;
 - equipment services;
 - training to external parties; and
 - type 1-4 metering services.
6. Waiver to continue to provide a connection service under long-term contract, to Hayman Island.

Projects are under way to transition to full compliance within the required timeframes for to Ergon Energy's waivers.

4 Compliance and enforcement

Clause 6.1 of the Guideline requires a DNSP to establish and maintain appropriate internal procedures to ensure it complies with its obligations under the Guideline. Such matters have been addressed within this Compliance Report with additional comments below.

Energy Queensland operates with a three lines of defence model for risk and compliance, including for the management of ring-fencing compliance. Compliance incidents are assessed using the EQL Risk Evaluation (Consequence and Likelihood) Matrix and escalated and reported using the EQL Risk Reporting Escalation Mechanism. There is centralised reporting of compliance matters through monthly compliance reporting by Management who are responsible for identifying and managing compliance risks. The Enterprise Risk and Compliance team work closely with Legal, Regulation and Pricing teams to ensure efficient and effective responses to compliance risk, including periodic, targeted compliance awareness programs and independent reviews of compliance performance. The Internal Control and Audit team take a risk-based audit approach and provide independent assurance over control effectiveness.

Ergon Energy has set up a dedicated internal email address for any questions, issues and to report any potential breaches regarding ring-fencing compliance with the Guideline. The email address is monitored by members of the Legal, Regulation and Pricing team. Ergon Energy staff have used this avenue to seek advice and clarification, and to report if they are aware of any potential breach. A dedicated ring-fencing FAQ site has also been set up to provide a single source of ring-fencing information and advice to Energy Queensland staff.

As was the case in 2017-18, ring-fencing controls have been assigned to responsible officers within the business who are best placed to manage and monitor compliance.

Following on from learnings from the first independent assessment undertaken for the 2017-18 regulatory year and building on the practical learnings we developed from the first 12 months of the Guideline being enforceable (1 January 2018 to 31 December 2018) a complete review of the Ring-fencing Control Framework (Framework) was undertaken in quarter 3 2018-19. This review saw a number of changes to the original framework including the identification of more detective and corrective controls. The process for implementing these controls commenced rolling out in quarter 4.

During 2018-19, the 'Reporting potential Ring-fencing breaches – Guidance for Energy Queensland staff' and 'Ring-fencing controls testing – Guidance for investigating exceptions and escalating suspect findings' were developed and published on the intranet for staff to use.

Energy Queensland is preparing to implement an electronic Governance Risk and Compliance tool which will provide an integrated, shared view of governance risk and compliance risk exposure and allow for centralised, holistic management of compliance obligations, risks, controls and monitoring of compliance activities and performance. The Governance Risk and Compliance tool is planned for go-live in January 2020.

5 Annual Reporting

The AER's Guideline also requires this Compliance Report to identify and describe other matters. Ergon Energy has responded to these matters below.

Breaches of guideline

Clause 6.2.1(b) ii of the Guideline requires DNSPs to report any breaches of the Guideline by the DNSP, or which otherwise relate to the DNSP.

Details of recorded breaches are provided as an **Attachment 1** to this Report. Of note, Ergon Energy has established a methodology for assessing materiality of potential ring-fencing breaches. This methodology was presented to the AER during 2017-18. As agreed with the AER, Ergon Energy has committed to report non-material breaches (for the near term).

Ergon Energy reported two non-material breaches during the 2018-19 regulatory year in relation to clauses 4.3.2 and 4.3.3 of the Guideline.

Other services provided

Clause 6.2.1(b)iii of the Guideline requires DNSPs to report all other services provided by the DNSP in accordance with clause 3.1 of the Guideline. Specifically, the provision of 'other services' is subject to the granting of ring-fencing obligation waivers by the AER (clause 3.1(d) vi).

Ergon Energy has been granted a waiver for the provision of the following services:

- emergency recoverable works;
- public lighting and nightwatchman lights;
- high load escorts;
- property services;
- network related training courses;
- rental and hire services; and
- sale of inventory.

These services continue to be provided as outlined in the waiver application until 30 June 2020.

Ergon Energy has also been granted a waiver for the provision of:

- generation, distribution and retail services using its own brand and distribution staff in remote areas of Queensland; and
- connection services under a long-term contract to Hayman Island.

These services continue to be provided as outlined in the waiver application until 30 June 2025.

No 'other services' have been provided by Ergon Energy.

Transactions with affiliate entities

Section 6.2.1(b)iv requires DNSPs to report the purpose of all transactions between the DNSP and its affiliated entities.

Throughout 2018-19, Ergon Energy had a limited number of transactions with affiliated entities. These transactions between affiliated entities are captured in the Ergon Energy's accounting and finance systems.

The DNSP's historically incurred the majority of their costs within the entity, but as a result of corporate restructuring, more costs are now captured in the parent entity (EQL) and charged to the entities within the Group. Costs relating to the program of work (i.e. projects and work orders) are directly charged to projects and recorded in the relevant entity. This may involve the use of labour force from either DNSP and/or EQL. Other indirect costs and overheads are allocated via the CAM.

The DNSP's also transact with Yurika to provide labour as required and certain support costs / overheads are allocated to these entities in accordance with the CAM.

Further transaction details are provided in **Table 1** below.

Table 1: Transactions between Ergon Energy and affiliated entities

Affiliated Entity	Cost Type	Transaction Description and Purpose
Energex	Labour	<p>Labour costs comprise direct and indirect costs.</p> <p>Direct labour costs are those that are directly attributable to Ergon Energy's projects and work orders. These include:</p> <ul style="list-style-type: none"> - wages; - overtime; - allowances; and - on costs. <p>Indirect labour costs are recovered as either Network or Corporate Overheads.</p>
Energex	Materials	<p>Material costs comprise the following direct costs:</p> <ul style="list-style-type: none"> - direct acquisitions; - goods issued; and - other miscellaneous material costs.
Energex	Contractor	<p>Contractor costs comprise direct costs where Energex has engaged a contractor to perform works or services in relation Ergon Energy:</p> <ul style="list-style-type: none"> - contractor costs; and - consulting costs.

Affiliated Entity	Cost Type	Transaction Description and Purpose
EQL	Network and Corporate Overheads	<p>Overheads comprise indirect costs incurred by the EQL Group. These are charged to Ergon Energy in accordance with the CAM and reported as Network or Corporate Overhead. These costs consist of:</p> <ul style="list-style-type: none"> - indirect labour and contractors; - office supplies; - utilities; - audit services; - legal services; - other professional fees & expenses; - licence fees (excluding motor vehicle registration fees); - subscriptions & registrations; - telephone, postage and courier service costs; - rental costs; and - insurance (other than motor vehicle and personnel).
SPARQ	ICT related overheads	<p>This category comprises overhead costs incurred by Ergon Energy in relation to ICT services. These costs include:</p> <ul style="list-style-type: none"> - assets usage fee; - labour, contractor costs; - license and maintenance fees; and - telecommunication expenses.
Yurika (including Nexium and Metering Dynamics)	Various support services provided to Yurika	<p>These services include:</p> <ul style="list-style-type: none"> - installation/replacement of meters; - infrastructure services; - operating and maintenance services on generators; and - finance and corporate shared services.
Ergon Energy Retail	Network charges	Ergon Energy Retail incurs network charges from Ergon Energy (i.e. NUOS charges).
Ergon Energy Retail	Service fees	Ergon Energy provides business management, financial, corporate, customer care and administration services to Ergon Energy Retail.

Independent assessment

Clause 6.2.1(c) of the Guideline requires the DNSP's annual compliance report to be accompanied by an assessment of compliance with the Guidelines by a suitably qualified independent authority.

Ergon Energy engaged the services of Deloitte to undertake a reasonable assurance review of Ergon Energy's compliance against the Guideline requirements. The review covered the six-month period from 1 July 2018 to 30 June 2019. Deloitte's review report is provided as an **Attachment 2** to this Report.

6 Appendix 1 – Compliance Controls

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C1	Ensure costs are allocated appropriately	The Cost Allocation Methodology (CAM) has been updated to ensure there is an approved process for capturing ring-fencing cost-reflective transactions and allocating costs between DNSPs and RESPs.	<ul style="list-style-type: none"> CAM continues to incorporate ring-fencing requirements (HP) Treasury Agreement in place between affiliated entities (HP) RINs audited annually for compliance (HDC) Monthly variance analysis conducted (HDC) Monthly reconciliation of budget vs actual (HDC) 	3. Prevention of Cross Subsidies	3.2 Establish and Maintain Accounts	3.2.1(a) Est and maintain appropriate internal accounting procedures 3.2.2(a),(b) Allocate or attribute costs
C2	Ensure Financial Systems are Ring-fencing compliant	DNSP's Enterprise Resource Management system updated to capture DNSPs and RESPs and to accurately record the entire range of transactions between the affiliated entities, including: <ul style="list-style-type: none"> Procurement Financial; and HR 	<ul style="list-style-type: none"> ELLIPSE reconfigured to meet Ring-fencing Guideline requirements and capture transactions (HP) Access to ELLIPSE districts controlled by security (HP) System detects potential erroneously-coded transactions, flags and corrects where required (HDC) 	3. Prevention of Cross Subsidies	3.2 Establish and Maintain Accounts	3.2.2(c) Establish, maintain and keep records 4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated
C3	Secondments between DNSPs and RESPs are ring-fencing compliant	HR notifications to IT are being set up to identify start and end dates for secondments, currently this is required to be a manual process. For secondments: <ul style="list-style-type: none"> RESP staff are physically separated from DNSP staff Access to confidential information is appropriately applied depending on whether employee is DNSP, RESP or corporate support. 	<ul style="list-style-type: none"> Ellipse will be updated to recognise movements between DNSP and RESP – currently manual process (HP) Automatic notifications generated (IT, Access, physical location) (HP) Appropriate IT accesses applied to new position (HP) Staff located appropriate to RESP/DNSP position (HPC) Random audits of staff movements and accesses undertaken (HDC) 	4. Functional Separation	4.2 Offices, staff, branding and promotions 4.3 Information Access and Disclosure	4.2.1(a) Separate offices 4.2.2(a) DCS marketing and provision Staff not involved in RESP provision and marketing 4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C4	Ensure all new EQL staff are aware of their ring-fencing obligations and provided with appropriate accesses	<p>All EQL Group position descriptions include mention of potential ring-fencing obligations</p> <p>HR onboarding online training includes introduction to ring-fencing obligations</p> <p>HR Checklists and onboarding for new staff ensure:</p> <ul style="list-style-type: none"> • Staff have been made aware of ring-fencing obligations • Access to confidential information is appropriately applied depending on whether employee is DNSP, RESP or corporate support. • Staff are located appropriate to their role as a RESP vs DNSP employee <p>Employee/contractor role descriptions do not include marketing and/or provision roles for both the DNSP and RESP</p>	<ul style="list-style-type: none"> • EQL employee induction material includes ring-fencing awareness requirements (SP) • All new staff are required to undertake mandatory onboarding training which includes introductory ring-fencing awareness (SP) • All role descriptions updated to include ring-fencing obligation as role responsibility (HP) • All role descriptions updated to ensure description does not include a requirement to undertake both RESP and DNSP activities (HP) • Staff are located in offices based on role and ring-fencing physical separation requirements to building services for appropriate ring-fencing physical separation based on DNSP/RESP role (HP) 	4. Functional Separation	<p>4.1 Obligation not to Discriminate</p> <p>4.2 Offices, staff, branding and promotions</p> <p>4.3 Information Access and Disclosure</p> <p>4.4 Service providers</p>	<p>4.1(b) DNSP must not discriminate</p> <p>4.2.1(a) Separate offices</p> <p>4.2.2(a) DCS marketing and provision Staff not involved in RESP provision and marketing</p> <p>4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated</p> <p>4.4.1(a) Service providers compliance with Guideline</p>
C5	Legal Separation of DNSPs and RESPs	DNSPs and RESPs are legally separated entities	<ul style="list-style-type: none"> • All EQL Group companies have separate ABNs and are registered with ASIC (HP) • Protocols exist for the creation of ring-fencing compliant new companies (HP) • Constitutions are ring-fencing compliant (HP) • Board Charters ring-fencing compliant (HP) • Board paper templates include means for identifying ring-fenced papers (HP) • Executive Governance Framework includes mechanism for Executive General Managers who undertake both regulated and unregulated roles (HP) 	3. Prevention of Cross Subsidiaries	3.1 Legal Separation	<p>3.1(a) Separate legal entity</p> <p>3.1(b) DNSP only to provide Distribution and Transmission Services</p>
C6	Ensure fleet branding protocols are Ring-fencing compliant	Fleet branding protocols incorporate ring-fencing requirements for branding of DNSP/RESP vehicles	<ul style="list-style-type: none"> • Fleet branding for non-waiver related DNSP/RESP fleet follow approved ring-fencing Branding Guidelines (HP) • Staff are made aware of vehicle usage based on DNSP/RESP usage (SP) 	4. Functional Separation	4.2 Offices, staff, branding and promotions	4.2.3(a) Branding and advertising

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
				C7	Ensure fleet branding that is currently the subject of a waiver is made ring-fencing compliant	Project established and underway to transition to full compliance with the Ring-fencing Guideline by 31 December 2019
C8	Physical separation controls are ring-fencing compliant	<p>Physical separation controls have been implemented to ensure appropriate separation of DNSP and RESP staff including:</p> <ul style="list-style-type: none"> In SEQ, where a significant volume of DSNP and Non-DSNP staff are located, the Non-DSNP staff are all co-located in a separate office, Ann St. In regional centres, and the EQL headquarters in Townsville, the Non-DSNP staff are located on separate floors of office buildings to DSNP staff, or staff or co-located with shared services staff that support all EQL businesses, depending on the volume of Non-DSNP staff. In areas with less than 25,000 customer connection points within a 100km radius, the Non-DSNP staff may work near the DSNP staff, in accordance with ring fencing exemptions. Physical brand signage is appropriately maintained based on location 	<ul style="list-style-type: none"> Individual office security arrangements are based on type of offices (RESP only, DNSP only, mixed DNSP/RESP, regional) (HSPC) Staff re-located based on roles –DNSP / Corporate / RESP (HP) Physical signage has been updated to reflect ring-fencing appropriate occupancy (HP) Electronic security access to all sites (HP). Random spot checks undertaken including physical walk throughs / interviews with staff (HPDC) 	4. Functional Separation	4.2 Offices, staff, branding and promotions 4.3 Information Access and Disclosure	4.2.1(a) Separate offices 4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C9	Ring-fencing compliance management is in place	Compliance Management Policy incorporates Ring-fencing obligations	EQL Compliance Management Policy applies to Ergon Energy as a subsidiary of the Group and it covers all of the EQL Group's compliance obligations, including Ergon Energy's ring-fencing obligations under the Guideline. (SP) <ul style="list-style-type: none"> Confidential Information Policy includes ring-fencing obligations (SP) Ring-fencing risks assessed using EQL risk matrix (SP) Ring-fencing compliance included as BAU in DNSP board compliance reporting (SP) 	6. Compliance and Enforcement	6.1 Maintaining compliance	N/A
C10	Contracts are ring-fencing compliant	Contracts incorporate ring-fencing obligations where necessary	<ul style="list-style-type: none"> Contract templates have been updated to reflect ring-fencing requirements where applicable (HP) Random audits of contracts will be undertaken to check for compliance (HDC) 	4. Functional Separation	4.1 Obligation not to Discriminate 4.2 Offices, staff, branding and promotions 4.3 Information Access and Disclosure 4.4 Service providers	4.1(b) DNSP must not discriminate 4.2.3(a) Branding and advertising 4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated 4.4.1(a) Service providers compliance with Guideline 4.4.1(b) Service providers incentives
C11	Ring-fencing Breach Register and Reporting	Breach register is maintained and up-to-date and protocols	<ul style="list-style-type: none"> Ring-fencing breach register is created, maintained and updated (SD) Breach notification and reporting procedure in places (SP) Breach reporting guidance document available for EQL staff on the intranet (SD) Guideline in place for the treatment of exceptions found during control testing, including advice on escalating findings for investigation guideline available for control owners (SP) 	6. Compliance and Enforcement	6.1 Maintaining compliance 6.2 Compliance reporting 6.3 Compliance breaches	N/A N/A N/A

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C12	Organisational documents and templates reflect Ring-fencing requirements	All organisational documents and templates are up-to-date and reflect ring-fencing requirements including appropriate branding	<ul style="list-style-type: none"> All key documents reviewed and rebranded to ensure compliance (HP) Annual review of documents to ensure ongoing compliance (SC) 	4. Functional Separation	4.2 Offices, staff, branding and promotions	4.2.3(a) Branding and advertising
C13	Brand guidelines are ring-fencing compliant	Branding guidelines are current and reflect appropriate ring-fencing branding obligations	<ul style="list-style-type: none"> EQL branding guidelines updated to reflect ring-fencing requirements (HP) Branding guidelines easily accessible on Intranet (SP) EQL email signature guidelines are in available on the EQL Brand Centre (SP) Brand Centre site is available and up to date (SP) 	4. Functional Separation	4.2 Offices, staff, branding and promotions	4.2.3(a) Branding and advertising
C14	Ensure uniform branding that is currently the subject of a waiver is made ring-fencing compliant	Project established and well underway to transition to full compliance with the Ring-fencing Guideline by 31 December 2019	<ul style="list-style-type: none"> Final design of ring-fencing compliant uniforms completed (HP) Uniform sizing for individual staff and practical testing has commenced and the new uniforms have been ordered (HC) 	4. Functional Separation 5. Waivers	4.2 Offices, staff, branding and promotions 5.7 Waiver register	4.2.3(a) Branding and advertising N/A

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C15	IT ring-fencing audit automation	<p>Currently, testing of access to DNSP CEI remains a manual process, requiring staff to runs scripts against RESP lists.</p> <p>Exceptions are investigated for potential breaches and remediation activities undertaken.</p> <p>Investigation are ongoing for the most cost-effective option to automate this process.</p>	<ul style="list-style-type: none"> RESP staff list is updated regularly and checked against known ring-fenced IT sources (HPDC) Remediation areas identified and rectification activities commenced if required (HC) All SharePoint sites have been assessed to determining if they should be ring-fenced and action taken to remove RESP access where required and testing of access conducted (HC) Procedures put in place requiring ring-fencing assessment of new SharePoint sites (HP) 3,783 information sources assessed to determine ring-fencing status and RESP access removed where required Ongoing refinement and review of ring-fencing assessed source conducted throughout 2018-19 (HC) Investigations ongoing to examine the most cost-effective solution to automate access testing. Consideration is being given to both internally developed solutions and external vendor options. (SP) 	4. Functional Separation	<p>4.3 Information access and disclosure</p> <p>4.3 Information access and disclosure</p>	<p>4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated</p> <p>4.3.3(a)-(h) DNSP must not disclose confidential information</p>
C16	Staff computer access is Ring-fencing compliant	ICT security access procedures incorporate ring-fencing obligations including access provided based on DNSP/RESP approved programs	<ul style="list-style-type: none"> Use-of-Systems (UoS) agreement updated to include ring-fencing requirements. All staff are required to agree to the UoS every time they log-in to the system (HP) IT teams have ring-fencing lists for determining access requests based on DNSP/RESP approved list (HP) All RESP requests to access to potential CEI sources are reviewed by the regulatory team and assessed against lists of CEI information sources prior to approval (HPDC) <p>Process for querying suspect requests in place and updating lists (SDC)</p>	4. Functional Separation	4.3 Information access and disclosure	<p>4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated</p> <p>4.3.3(a)-(h) DNSP must not disclose confidential information</p>

ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C17	System for assessing ring-fencing Breaches in place	<p>Ring-fencing breach identification and materiality assessment protocols in place once potential breach notifications have been received.</p> <p>Protocols are in place and available on the intranet which provide guidance to EQL staff on how to report for investigation potential ring-fencing breaches and exceptions found during control testing</p> <p>Protocols are in place to guide ring-fencing control owners on how to treat and escalate for investigation exceptions found during ring-fencing control testing</p>	<ul style="list-style-type: none"> Ring-fencing breach assessment protocol in place (HD) Materiality Calculator in place which assesses breaches to determine if material (HD). Notification protocols in place to ensure capture and reporting of potential breaches (HD) Ring-fencing control testing exceptions guidance document available for control owners to advise on how to ensure exceptions found during testing are capture, escalated for investigation and utilised to strengthen controls (SPDC) <p>Remediation activities undertaken as part of assessment process correct issue and ensure/minimise risk of future similar breaches (SHPDC)</p>	6. Compliance and Enforcement	6.1 Maintaining compliance	N/A
C18	DNSP and RESP staff are aware of ring-fencing obligations	DNSP and RESP staff are made aware of ring-fencing obligations including annual obligatory refresher training and ring-fencing training incorporated into onboarding.	<ul style="list-style-type: none"> Ring-fencing Awareness training module has undergone a significant update and has been rolled out (SP) Ring-fencing training added to annual EQL compliance training requirements (SP) Central ring-fencing FAQ SharePoint /Intranet page available able for staff (SP) ring.fencing@energyq.com.au email address available for all staff to request clarifying advice on ring-fencing issues. Ring-fencing email also used for reporting of suspected breaches (SDC) 	6. Compliance and Enforcement	6.1 Maintaining compliance	N/A
C19	Office Registers and Staff Registers	Office Registers and Staff Registers publicly available and up-to-date	<ul style="list-style-type: none"> Registers available and easy to access on the EQL intranet (SP) Registers available on the Ergon Energy website (SP) Registers updated as required (SPC) Staff sharing quick reference matrix available and easy to access on the EQL intranet (SP) 		4.2 Offices, staff, branding and promotions	4.2.4(a),(b) Office register and Staff Registers
C20	Information Sharing Register	Information Sharing Register publicly available and up-to-date	<ul style="list-style-type: none"> Register available and easy to access on the EQL intranet (SP) Register available on the Ergon Energy website (SHP) <p>Register updated as required (SHPC)</p>	4. Functional Separation	4.3 Information Access and Disclosure	4.3.5(a)-(c) Information sharing register

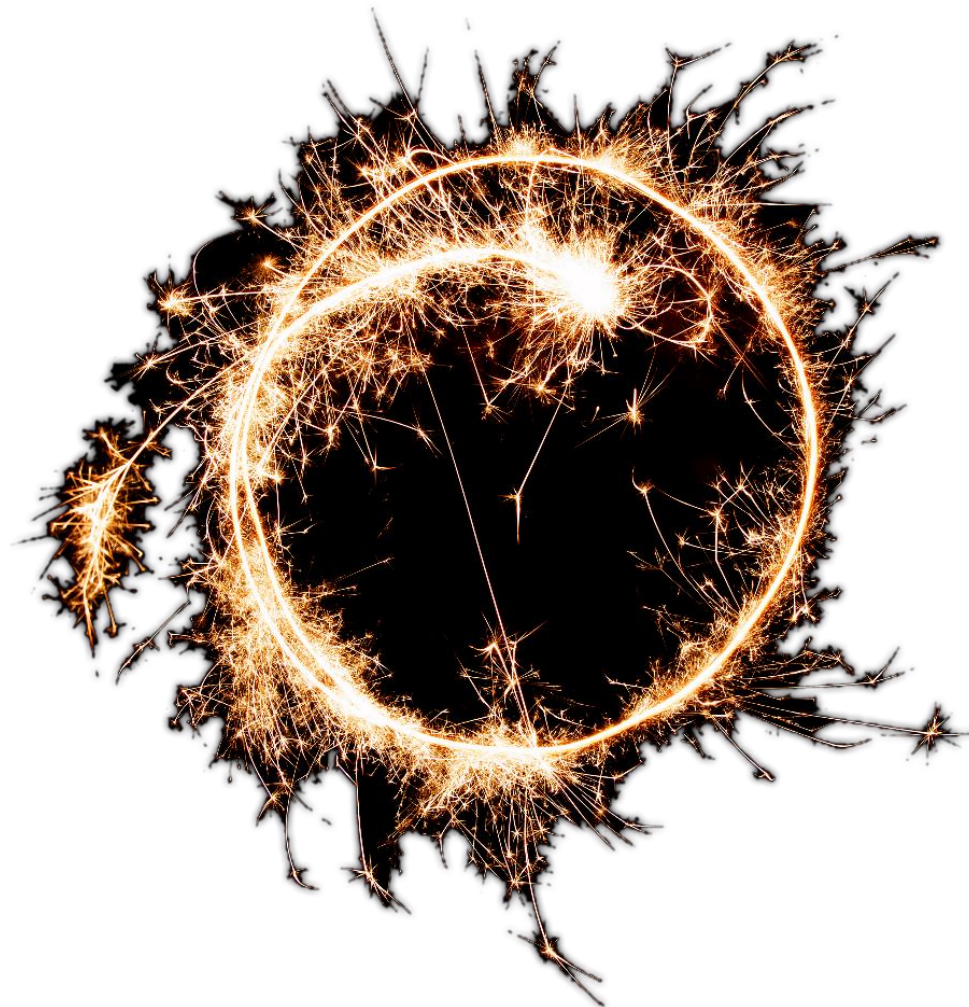
ID	Control Category	Control Description – How compliance is demonstrated and supported	Specific Measures (H) Hard (S) Soft (P) Preventative (D) Detective (C) Corrective	Primary Ring-fencing Guideline/s captured		
				Principle	Clause	Sub-Clause
C21	Waiver Register	Waiver Register publicly available and up-to-date	<ul style="list-style-type: none"> Register available and easy to access on the EQL intranet (SP) Register available on the Ergon Energy website (SHP) Register updated as required (SHP) 	5. Waivers	5.7 Waiver register	5.7(a) Waiver Register 5.7(b) Waiver Description and conditions
C22	Information Sharing	Information Sharing Guideline and decision trees are up to date and in place	<ul style="list-style-type: none"> Ergon Energy Information Sharing Protocol available and easy to access on the EQL intranet (SP) Ergon Energy Information Sharing Protocol available on the Ergon Energy website (SP) Information sharing decision tree available to all staff via Intranet site (HP) 	4. Functional Separation	4.3 Information Access and Disclosure	4.3.4(a),(d) and (e) Information sharing
C23	Remuneration incentives are ring-fencing compliant	Remuneration incentives are ring-fencing compliant for staff eligible for bonuses	<ul style="list-style-type: none"> Remuneration template is ring-fencing compliant based on staff position (SP) Random sampling of staff contracts undertaken (HPDC) 	4. Functional Separation	4.2 Offices, staff, branding and promotions	4.2.2(c) DNSP remuneration, incentives etc.
C24	DNSP tender processes for contestable services consider ring-fencing obligations	DNSP tender processes for contestable services consider ring-fencing obligations to ensure RESPs do not receive favourable treatment and DNSP service providers are aware of their ring-fencing obligations.	<ul style="list-style-type: none"> Tender documents incorporate ring-fencing requirements (HP) Random audits of tenders undertaken to determine compliance (HDC) 	4. Functional Separation	4.1 Obligation not to Discriminate	4.1(b) DNSP must not discriminate
C25	System Access controls for shared staff	System access controls are in place for customer service and dispatch staff to allow them to perform regulated and unregulated work in compliance with the Ring-fencing Guideline	<ul style="list-style-type: none"> System alarms alert team leader when inappropriate accesses occur and team leader investigates Call centre processes incorporate ring-fencing obligations 	4. Functional Separation	4.3 Information access and disclosure	4.3.2(a),(b) Confidential information kept confidential and used only for purpose it was acquired on generated 4.3.3(a)-(h) DNSP must not disclose confidential information

Attachment 1



Ring-fencing Breach Register

Internal reference number (provided by Policy team)	Breach reporting entity (DNSP affected)	Clause of Guideline breached	Ring-fencing category	Breach start date	Breach end date	Breach description		Identification		Is a waiver possible for compliance with this obligation?	Has a waiver been granted for this obligation? If YES - then why did the breach occur?	Potential impacts	Impacts		Remediation	Trend	Other	Reporting and follow up					
						Description / Nature of breach	Cause of breach	Date breach was identified	Method of identification				DNSP Business unit impacted	Related party impacted				Has the breach been assessed by the DNSP as material?	Summary of AER advice (including any comments obtained pre-reporting)	Date breach reported to AER	AER reference number	Date AER response received	Follow up actions required
RF-0004.1	Ergon Energy	4.3.2 - Obligation to protect confidential information	Information access and disclosure	16/07/2018	17/07/2018	Two Ergon Retail staff were accidentally copied into the mailing list from Ergon Energy for draft Ergon Solar Bonus Scheme draft documents. Upon confirmation that the documents contained Confidential Electricity Information, the Ergon Retail staff were requested by Ergon Energy to delete the information. The affected staff confirmed the emails were deleted and also provided assurance that they would not use the information.	Ergon Energy Retail Staff members were accidentally included in an email containing confidential electricity information.	17/07/2018	Identified following the receipt of an email from Product Manager Customer Inverter System to the Ring Fencing inbox requesting advice on a potential ring-fencing breach	No	N/A	Customer team	Ergon Retail	Ergon Retail staff were requested to delete the information. DNSP staff in the email chain were reminded of their obligations to protect confidential information and consider whether any information could be confidential prior to adding Ergon Retail Staff to emails.	No past breaches of this obligation	NA	No	AER agreed with our materiality assessment (post reporting) - breach not classified as material	19/07/2018	NA	26/07/2018	None required	NA
RF-0004.2	Ergon Energy	4.3.3 - Obligation not to disclose confidential information, including to a RESP	Information access and disclosure	16/07/2018	17/07/2018	Two Ergon Retail staff were accidentally copied into the mailing list from Ergon Energy for draft Ergon Solar Bonus Scheme draft documents. Upon confirmation that the documents contained Confidential Electricity Information, the Ergon Retail staff were requested by Ergon Energy to delete the information. The affected staff confirmed the emails were deleted and also provided assurance that they would not use the information.	Ergon Energy Retail Staff members were accidentally included in an email containing confidential electricity information.	17/07/2018	Identified following the receipt of an email from Product Manager Customer Inverter System to the Ring Fencing inbox requesting advice on a potential ring-fencing breach	No	N/A	Customer team	Ergon Retail	Ergon Retail staff were requested to delete the information. DNSP staff in the email chain were reminded of their obligations to protect confidential information and consider whether any information could be confidential prior to adding Ergon Retail Staff to emails.	No past breaches of this obligation	NA	No		19/07/2018	NA	26/07/2018	None required	NA



Energex Limited
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 Energex Limited ("Energex") and Deloitte dated 19 July 2019 as the qualified independent authority to provide reasonable assurance that Energex'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 Guideline obligation (the "Obligation") where an exception was identified. The rating of each Obligation has been applied in accordance with *Section 1.3*.

No.	Guidance Obligation	Results of Testing	Recommendations	Rating	Material Breach
20	6.1 A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline	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, of the 7,774 employees of EQL 1,122 employees have completed the Ring-Fencing training program, 826 employees have yet to complete the training. From the 5 secondees across the DNSP who transferred Yurika during the audit period we were unable to determine whether they had completed the Ring-Fencing training program due to de-identification of sample data provided. 	To address the results of testing we recommend the below: <ul style="list-style-type: none"> Management ensure the 826 employees who have not yet completed the training program do so as soon as possible. Priority to be given to seconded staff. 	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 Management of Energex

Opinion

We have undertaken a reasonable assurance engagement on whether Energex'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 Energex'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.

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 Management of Energex

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.

Limitation of our Work

General Use Restriction

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.



Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on whether Energex'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 Energex'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 Energex'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 Energex staff about controls are in place to allow Energex 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 Management of Energex 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 Energex, 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

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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".

Angela Jaric

Partner

24 October 2019, Melbourne

Limitation of our Work

General Use Restriction

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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"> All EQL Group companies have separate ABNs and are registered with ASIC. <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed an ASIC search on Energex using the ACN in the distribution license to establish it is a separate legal entity. We inspected the Energex website https://www.energex.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"> Energex constitution. Board paper templates include means for identifying Ring-Fencing papers. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected Energex's constitution to determine whether it addressed Ring-Fencing requirements and did not promote the services of Energex's unregulated assets. We inspected a sample of 3 Board papers (across October, November 2018) to determine whether Ring-Fencing related meeting content was flagged appropriately and withheld from Yurika. 	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
3	Separate accounts	3.2.1 (a)	A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	<p>Control(s):</p> <ul style="list-style-type: none"> CAM continues to incorporate Ring-Fencing requirements Monthly variance analysis conducted. Monthly reconciliation of budget vs actual. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine whether that it addresses the allocation of costs between distribution services and non-distribution services. We inspected the monthly reconciliation reports for January and February 2019 to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
4	Cost allocation and attribution	3.2.2 (a), (b)	A DNSP must allocate or attribute costs to distribution services: <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"> CAM continues to incorporate Ring-Fencing requirements Monthly variance analysis conducted. Monthly reconciliation of budget vs actual. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine whether it addresses the allocation of costs between distribution services and non-distribution services. We inspected the monthly reconciliation reports for January and February 2019 to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. 	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
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"> CAM continues to incorporate Ring-Fencing requirements Monthly variance analysis conducted. Monthly reconciliation of budget vs actual. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine that it addresses the allocation of costs between distribution services and non-distribution services. We inspected the monthly reconciliation reports for January and February 2019 to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
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: <ul style="list-style-type: none"> direct control services by the DNSP (whether to itself or to any other legal entity); and / or contestable electricity services by any other legal entity. 	<p>Control(s):</p> <ul style="list-style-type: none"> Staff are located in offices based on role and Ring-Fencing physical separation requirements to building services for appropriate Ring-Fencing physical separation based on DNSP/RESP role. Contract templates have been updated to reflect Ring-Fencing requirements where applicable. Tender documents incorporate Ring-Fencing requirements. Call Quality Evaluations. <p>Tests Performed:</p> <ul style="list-style-type: none"> From the register of procurement contracts executed during the audit period performed the following: <ul style="list-style-type: none"> Randomly selected 4 procurement contracts from the sample; 	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: <ul style="list-style-type: none"> Call Quality Evaluation Form could identify the entity for which the call was received by. 	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"> ○ Validated the Ring-Fencing requirements for service providers have been included (where appropriate); and ○ Validated the agreements have been signed and executed. • We inspected the call quality framework and evaluation form to determine whether it specifically addresses the requirement for call centre agents to adhere to the Ring-Fencing Guideline. • We inspected a sample of 3 completed call quality evaluations for the period of 1 July 2018 to 30 June 2019 to determine whether the evaluations for identification of discriminatory behaviour between a related electricity service provider and a competitor. 			
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"> • Individual office security arrangements are based on type of offices (RESP only, DNSP only, mixed DNSP/RESP, regional). • Staff re-located based on roles – DNSP / Corporate / RESP. • Physical signage has been updated to reflect Ring-Fencing appropriate occupancy. • Electronic security access to all sites. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected images of physical signage for the DNSP and RESP to determine separation of brand. 	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 accommodation arrangements to determine whether: <ul style="list-style-type: none"> Energex offices are separate from its affiliate (or appropriate segregation is in place through the use of electronic access controls). Secure floors and offices have been identified. For the 5 staff seconded over the audit period we inspected their physical access records across Energex and the affiliate offices to determine whether they were restricted from entering secure floors or offices across Energex's offices whilst on secondment at the affiliate. 			
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"> EQL employee induction material includes Ring-Fencing awareness requirements. Random audits of staff movements and accesses undertaken. All role descriptions updated to ensure description does not include a requirement to undertake both RESP and DNSP activities. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the training material to determine whether it includes the obligation for a DNSP not to discriminate between a related electricity service provider and a competitor. We inspected 3 Energex role descriptions to determine whether their roles did not 	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>require them to undertake both RESP and DNSP activities.</p> <ul style="list-style-type: none"> We inspected a reviewed a copy of floor/office plans to determine whether physical separation between DNSP and RESP staff. 			
9	Staff sharing	4.2.2(c)	<p>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>	<p>Control(s):</p> <ul style="list-style-type: none"> Remuneration template is Ring-Fencing compliant based on staff position. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the Official Performance Framework User Guide to confirm that Leaders were not incentivised for growth in revenue for an unregulated service. We inspected the program in place to oversee the allocation of KPIs across both Energex and their affiliated entity to determine whether Energex staff were not incentivised to refer opportunity to their affiliated entities. 	Based on the control testing performed we have not identified matters of exception.	There are no recommendations.	No Exception.
10	Branding and cross-promotion	4.2.3(a)	<p>A DNSP: i. must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related</p>	<p>Control(s):</p> <ul style="list-style-type: none"> Fleet branding for non-waiver related. DNSP/RESP fleet follow approved Ring-Fencing Branding Guidelines. White magnetic stickers are required to be placed over DNSP logos on vehicles prior to undertaking unregulated works. Contract templates have been updated to reflect Ring-Fencing requirements where applicable. EQL email signature guidelines are in available on the EQL Brand Centre. 	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>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>iii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>	<p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected training material to determine whether it outlined the branding and marketing requirements as per the Guideline. • We inspected Energex’s website to determine there are no contestable electricity services being promoted or referenced on the website. • We inspected EQL’s Branding Guidelines for Ring-Fencing specific treatment of branding to determine whether Energex promote the branding of their affiliates. • We inspected Schedule 6 – Ring Fencing Requirements for Service Providers to determine whether Energex promote their affiliates. • We inspected on a test basis (a sample of 20) customer feedback received (via the Ombudsman and Energex directly) over the audit period to determine whether their customers expressed confusion over the brands when provided with service from Energex staff. • We inspected the EQL email signature guidelines to determine whether DNSP staff signatures: <ul style="list-style-type: none"> ○ Are independent of branding used by RESP; ○ Do not advertise or promote its direct control services and its contestable electricity services, and; ○ Do not advertise or promote contestable electricity services. 			

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
11	Office and staff registers	4.2.4 (a), (b)	A DNSP must establish, maintain and keep a register that identifies: (a) the classes of offices to which it has not applied; and (b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff and must make the register publicly available on its website.	<p>Control(s):</p> <ul style="list-style-type: none"> Staff sharing registers available on the Energex website. Register updated as required. Staff sharing quick reference matrix available and easy to access on the EQL intranet. Staff system access records. <p>Tests Performed:</p> <ul style="list-style-type: none"> We conducted a search for the registers on the Energex customer-facing website to determine whether they were in place and operable. We inspected the registers to determine information that identified: <ul style="list-style-type: none"> (a) the classes of offices to which it has not applied; and, (b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff. We inspected the staff sharing quick reference matrix and the clarity of instructions provided to determine whether a staff member working for the DNSP can be shared with the affiliate. For all 5 staff seconded over the audit period we inspected their system access records across Energex and the affiliate to determine whether they were not accessing secure information across Energex whilst on secondment at the affiliate. 	<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 on registers it uploads to its customer-facing website to denote the currency of the registers. 	There are no recommendations.	No Exception.
12	Protection of confidential information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential electricity information confidential	<p>Control(s):</p> <ul style="list-style-type: none"> All SharePoint sites have been assessed to determine if they should be ring-fenced and action taken to remove RESP 	<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</p>	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			(b) only use confidential information for the purpose for which it was acquired or generated	<p>access where required and testing of access conducted.</p> <ul style="list-style-type: none"> Procedures put in place requiring Ring-Fencing assessment of new SharePoint sites. Document containing 3,783 information sources assessed to determine Ring-Fencing status and RESP access removed where required. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the procedures required to be followed for Ring-Fencing assessment of a sample of new SharePoint sites to determine whether it addressed Guideline requirements regarding the treatment of confidential information. From the 3,783 information sources assessed, we tested for all 5 staff seconded whether they accessed secure information from the 3,783 sources whilst on secondment at the affiliate. 	<p>obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Periodically test employee system access to ensure DNSP and related electricity service providers cannot access systems which contain Ring-Fenced confidential/sensitive information. 		
13	Disclosure of information	4.3.3 (a)-(g)	A DNSP must not disclose confidential electricity information to any person , including a related electricity service provider, unless: (a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates; (b) the disclosure is required by , or for the	<p>Control(s):</p> <ul style="list-style-type: none"> All SharePoint sites have been assessed to determining if they should be ring-fenced and action taken to remove RESP access where required and testing of access conducted. Procedures put in place requiring Ring-Fencing assessment of new SharePoint sites. Document containing 3,783 information sources assessed to determine Ring-Fencing status and RESP access removed where required. 	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>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 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</p>	<p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the procedures required to be followed for Ring-Fencing assessment of new SharePoint sites to determine whether it addressed Guideline requirements regarding the treatment of confidential information. From the 3,783 information sources assessed, we tested for all 5 staff seconded whether they accessed secure information from the 3,783 sources whilst on secondment at the affiliate. 			

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			<p>by a legal entity other than a related electricity service provider of the DNSP (g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>				
14	Information register	4.3.5 (a) - (c)	<p>(a) A DNSP must establish, maintain and keep a register of all: i. related electricity service providers; ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information identified in clause 4.3.4(a), and must make the register publicly available on its website. (b) For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.4(a), the DNSP's information register must: i. identify the kind of information requested by the legal entity; and ii. describe the kind of</p>	<p>Control(s):</p> <ul style="list-style-type: none"> Information register available on the Energex 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 disclosure is accurate and reflects recent information sharing. It is designed to meet the requirements of the Ring-Fencing Guideline. It is publicly available on the Energex website. 	<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 registers it uploads to its customer-facing website 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
			<p>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>				
15	Conduct of service providers	4.4.1 (a)	<p>A DNSP: (a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with:</p> <p>i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and</p> <p>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP;</p>	<p>Control(s):</p> <ul style="list-style-type: none"> Schedule 6 – Ring Fencing Requirements for Service Providers. Contract templates have been updated to reflect Ring-Fencing requirements where applicable. Contracts register. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected “Schedule 6 – Ring Fencing Requirements for Service Providers” to determine whether it contained clauses or statements that provide direction to service providers of Energex and its related bodies corporate on the obligations under the Ring-Fencing Guideline that it must comply with under the terms of the Contract. 	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
			as if the service provider was the DNSP.	<ul style="list-style-type: none"> We inspected a sample of 4 procurement contracts executed during the audit period to determine whether that the Ring-Fencing requirements for service providers have been included (where appropriate) and determined whether the agreements have been signed and executed. 			
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"> Schedule 6 – Ring Fencing Requirements for Service Providers. Contract templates have been updated to reflect Ring-Fencing requirements where applicable. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected "Schedule 6 – Ring Fencing Requirements for Service Providers" to determine whether it contained clauses or statements that provide direction to service providers of Energex and its related bodies corporate on the obligations under the Ring-Fencing Guideline that it must comply with under the terms of the Contract. We inspected a sample of 4 procurement contracts executed during the audit period to determine whether the Ring-Fencing requirements for service providers have been included (where appropriate) and validated that the agreements have been signed and executed. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
17	The AER will not grant a waiver of an Obligation	5.2 (a) - (h)	A DNSP may apply in writing to the AER for a waiver. An application for a waiver	<p>Control(s):</p> <ul style="list-style-type: none"> Waiver Register created and available on Energex customer-facing website. 	Based on the control testing performed we have not identified any matters of exception, however we have identified a matter for improvement as follows:	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
	under this Guideline other than in accordance with this clause 5		<p>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 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</p>	<p>Tests Performed:</p> <ul style="list-style-type: none"> • We performed a search of Energex's customer-facing website to determine whether a Waiver Register is publicly available. • We inspected a sample of applications in the Waiver Register to determine whether for information relating to and supporting: <ul style="list-style-type: none"> ◦ Clauses (a) to (h). 	<ul style="list-style-type: none"> • Management could include a date of change and version control number on registers it uploads to its customer-facing website to denote the currency of staff sharing registers. 		

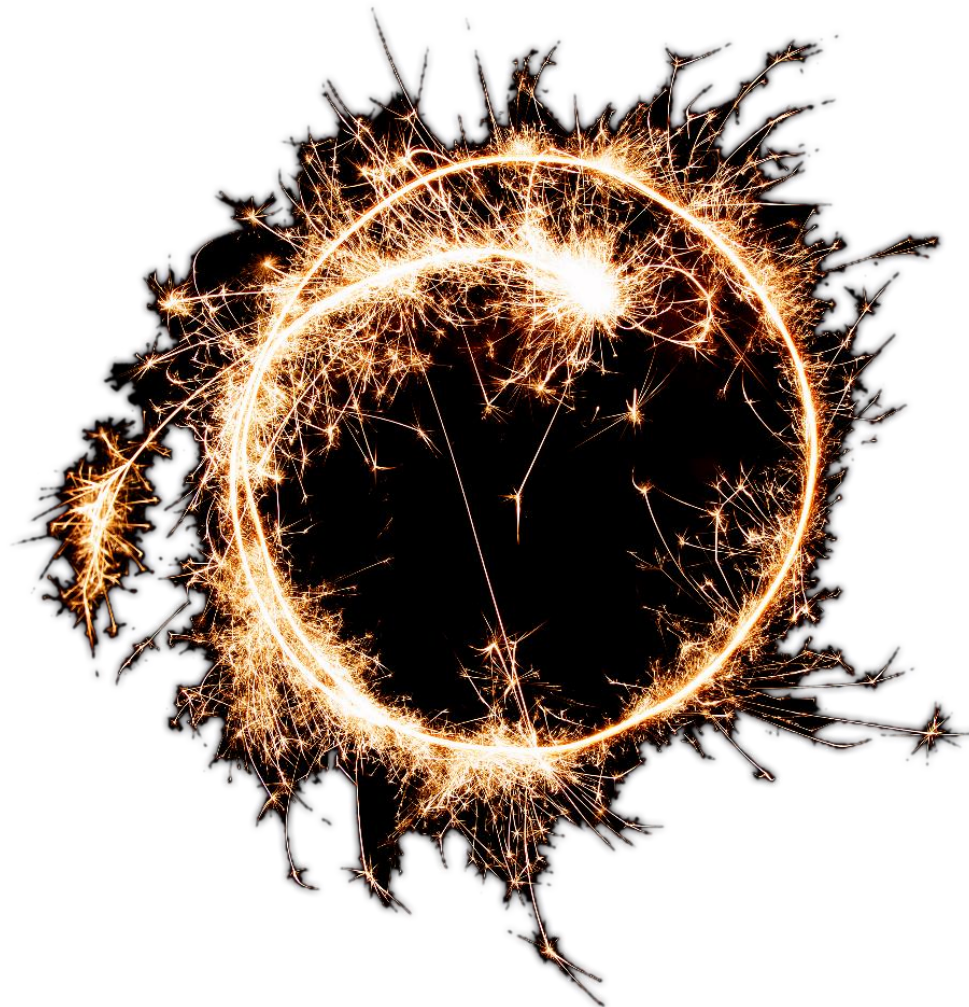
No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			<p>the waiver should be granted with reference to the matters specified in clause 5.3.2(a), including the benefits, or likely benefits, of the grant of the waiver to electricity consumers.</p>				
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 created and available on Energex’s customer-facing website. <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Energex’s customer-facing website to determine whether a waiver register is publicly available. 	<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 registers it uploads to its customer-facing website to denote the currency of staff sharing registers. 	<p>There are no recommendations.</p>	<p>No Exception.</p>
19	Waiver register	5.7 (b)	<p>The register established under clause 5.7(a) must include:</p> <ol style="list-style-type: none"> the description of the conduct to which the waiver or interim waiver applies; and 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. 	<p>Control(s):</p> <ul style="list-style-type: none"> Waiver Register created and available on Energex Website. <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Energex’s customer-facing website to determine whether a waiver register is publicly available. We inspected the applications in the Waiver Register to determine whether for information relating to and supporting: <ul style="list-style-type: none"> 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 registers it uploads to its customer-facing website to denote the currency of staff sharing registers. 	<p>There are no recommendations.</p>	<p>No Exception.</p>

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
20	Maintaining compliance	6.1	A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline.	<p>Control(s):</p> <ul style="list-style-type: none"> Ring-Fencing Awareness training module has undergone a significant update and has been rolled out. Ring-Fencing training added to annual EQL compliance training requirements. Confidential Information Policy includes Ring-Fencing obligations. Ring-Fencing breach register is created, maintained and updated. Materiality Calculator in place which assesses breaches to determine if material. ring.fencing@energyq.com.au email address available for all staff to request clarifying advice on Ring-Fencing issues. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the Confidential Information Policy to determine EQL's approach to the management and handling of Confidential Information. We inspected a copy of Energex's Ring-Fencing Breach Register to determine whether reportable breaches were classified as follows: <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 the Reporting potential Ring-Fencing breaches Guidance for Energy 	<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, of the 7,774 employees of EQL 1,122 employees have completed the Ring-Fencing training program, 826 employees have yet to complete the training. From the 5 secondees across the DNSP who transferred to Yurika during the audit period we were unable to determine whether they had completed the Ring-Fencing training program due to de-identification of sample data provided. <p>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 registers it uploads to its customer-facing website to denote the currency of staff sharing registers. 	<p>To address the results of testing we recommend the below:</p> <ul style="list-style-type: none"> Management ensure the 826 employees who have not yet completed the training program do so as soon as possible. Priority to be given to seconded staff. 	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>Queensland staff to determine whether it provides guidance for EQL staff on how to identify, and escalate for investigation, potential breaches of the AER's Ring-Fencing Guideline.</p> <ul style="list-style-type: none"> We inspected Energex's Breach Materiality calculator to determine whether its suitability for supporting employees with maintaining compliance with the obligations. We inspected a sample of 3 emails sent to ring.fencing@energyq.com.au 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 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>Control(s):</p> <ul style="list-style-type: none"> Annual Compliance Report 2017/18 Ring-Fencing breach register is created, maintained and updated. Breach notification and reporting procedure in places. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected a copy of Energex's Annual Compliance Report 2017/18 to determine it addresses points (i) to (iv). We inspected a copy of Energex's Ring-Fencing Breach Register to determine reportable breaches were classified as follows: <ul style="list-style-type: none"> Date of the breach; Reportable date of the breach; The nature and cause of the breach; 	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>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"> ○ Impacts of the breach, and; ○ Remediation activities to address the breach. • We inspected Energex’s Breach Materiality calculator to determine whether 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"> • Ring-Fencing breach register is created, maintained and updated. • Breach notification and reporting procedure in places. • Customer feedback and Ombudsman enquiry. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected a copy of Energex’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 all breaches were considered and 	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
				subsequently reported in accordance with the Guideline.			



Energex Limited
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 Energex Limited ("Energex") and Deloitte dated 19 July 2019 as the qualified independent authority to provide reasonable assurance that Energex'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 Guideline obligation (the "Obligation") where an exception was identified. The rating of each Obligation has been applied in accordance with *Section 1.3*.

No.	Guidance Obligation	Results of Testing	Recommendations	Rating	Material Breach
20	6.1 A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline	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, of the 7,774 employees of EQL 1,122 employees have completed the Ring-Fencing training program, 826 employees have yet to complete the training. From the 5 secondees across the DNSP who transferred Yurika during the audit period we were unable to determine whether they had completed the Ring-Fencing training program due to de-identification of sample data provided. 	To address the results of testing we recommend the below: <ul style="list-style-type: none"> Management ensure the 826 employees who have not yet completed the training program do so as soon as possible. Priority to be given to seconded staff. 	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 Management of Energex

Opinion

We have undertaken a reasonable assurance engagement on whether Energex'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 Energex'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.

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 Management of Energex

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.

Limitation of our Work

General Use Restriction

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Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on whether Energex'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 Energex'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 Energex'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 Energex staff about controls are in place to allow Energex 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 Management of Energex 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 Energex, 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.

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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".

Angela Jaric

Partner

24 October 2019, Melbourne

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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"> All EQL Group companies have separate ABNs and are registered with ASIC. <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed an ASIC search on Energex using the ACN in the distribution license to establish it is a separate legal entity. We inspected the Energex website https://www.energex.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"> Energex constitution. Board paper templates include means for identifying Ring-Fencing papers. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected Energex's constitution to determine whether it addressed Ring-Fencing requirements and did not promote the services of Energex's unregulated assets. We inspected a sample of 3 Board papers (across October, November 2018) to determine whether Ring-Fencing related meeting content was flagged appropriately and withheld from Yurika. 	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
3	Separate accounts	3.2.1 (a)	A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	<p>Control(s):</p> <ul style="list-style-type: none"> CAM continues to incorporate Ring-Fencing requirements Monthly variance analysis conducted. Monthly reconciliation of budget vs actual. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine whether that it addresses the allocation of costs between distribution services and non-distribution services. We inspected the monthly reconciliation reports for January and February 2019 to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
4	Cost allocation and attribution	3.2.2 (a), (b)	A DNSP must allocate or attribute costs to distribution services: <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"> CAM continues to incorporate Ring-Fencing requirements Monthly variance analysis conducted. Monthly reconciliation of budget vs actual. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine whether it addresses the allocation of costs between distribution services and non-distribution services. We inspected the monthly reconciliation reports for January and February 2019 to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. 	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
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"> CAM continues to incorporate Ring-Fencing requirements Monthly variance analysis conducted. Monthly reconciliation of budget vs actual. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the CAM to determine that it addresses the allocation of costs between distribution services and non-distribution services. We inspected the monthly reconciliation reports for January and February 2019 to determine whether transactions were treated in accordance with the CAM and not in conflict with Guideline requirements. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
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: <ul style="list-style-type: none"> direct control services by the DNSP (whether to itself or to any other legal entity); and / or contestable electricity services by any other legal entity. 	<p>Control(s):</p> <ul style="list-style-type: none"> Staff are located in offices based on role and Ring-Fencing physical separation requirements to building services for appropriate Ring-Fencing physical separation based on DNSP/RESP role. Contract templates have been updated to reflect Ring-Fencing requirements where applicable. Tender documents incorporate Ring-Fencing requirements. Call Quality Evaluations. <p>Tests Performed:</p> <ul style="list-style-type: none"> From the register of procurement contracts executed during the audit period performed the following: <ul style="list-style-type: none"> Randomly selected 4 procurement contracts from the sample; 	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: <ul style="list-style-type: none"> Call Quality Evaluation Form could identify the entity for which the call was received by. 	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"> ○ Validated the Ring-Fencing requirements for service providers have been included (where appropriate); and ○ Validated the agreements have been signed and executed. • We inspected the call quality framework and evaluation form to determine whether it specifically addresses the requirement for call centre agents to adhere to the Ring-Fencing Guideline. • We inspected a sample of 3 completed call quality evaluations for the period of 1 July 2018 to 30 June 2019 to determine whether the evaluations for identification of discriminatory behaviour between a related electricity service provider and a competitor. 			
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"> • Individual office security arrangements are based on type of offices (RESP only, DNSP only, mixed DNSP/RESP, regional). • Staff re-located based on roles – DNSP / Corporate / RESP. • Physical signage has been updated to reflect Ring-Fencing appropriate occupancy. • Electronic security access to all sites. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected images of physical signage for the DNSP and RESP to determine separation of brand. 	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 accommodation arrangements to determine whether: <ul style="list-style-type: none"> Energex offices are separate from its affiliate (or appropriate segregation is in place through the use of electronic access controls). Secure floors and offices have been identified. For the 5 staff seconded over the audit period we inspected their physical access records across Energex and the affiliate offices to determine whether they were restricted from entering secure floors or offices across Energex's offices whilst on secondment at the affiliate. 			
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"> EQL employee induction material includes Ring-Fencing awareness requirements. Random audits of staff movements and accesses undertaken. All role descriptions updated to ensure description does not include a requirement to undertake both RESP and DNSP activities. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the training material to determine whether it includes the obligation for a DNSP not to discriminate between a related electricity service provider and a competitor. We inspected 3 Energex role descriptions to determine whether their roles did not 	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>require them to undertake both RESP and DNSP activities.</p> <ul style="list-style-type: none"> We inspected a reviewed a copy of floor/office plans to determine whether physical separation between DNSP and RESP staff. 			
9	Staff sharing	4.2.2(c)	<p>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>	<p>Control(s):</p> <ul style="list-style-type: none"> Remuneration template is Ring-Fencing compliant based on staff position. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the Official Performance Framework User Guide to confirm that Leaders were not incentivised for growth in revenue for an unregulated service. We inspected the program in place to oversee the allocation of KPIs across both Energex and their affiliated entity to determine whether Energex staff were not incentivised to refer opportunity to their affiliated entities. 	Based on the control testing performed we have not identified matters of exception.	There are no recommendations.	No Exception.
10	Branding and cross-promotion	4.2.3(a)	<p>A DNSP: i. must use branding for its direct control services that is independent and separate from the branding used by a related electricity service provider for contestable electricity services, such that a reasonable person would not infer from the respective branding that the DNSP and the related</p>	<p>Control(s):</p> <ul style="list-style-type: none"> Fleet branding for non-waiver related. DNSP/RESP fleet follow approved Ring-Fencing Branding Guidelines. White magnetic stickers are required to be placed over DNSP logos on vehicles prior to undertaking unregulated works. Contract templates have been updated to reflect Ring-Fencing requirements where applicable. EQL email signature guidelines are in available on the EQL Brand Centre. 	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>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>iii. must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</p>	<p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected training material to determine whether it outlined the branding and marketing requirements as per the Guideline. • We inspected Energex’s website to determine there are no contestable electricity services being promoted or referenced on the website. • We inspected EQL’s Branding Guidelines for Ring-Fencing specific treatment of branding to determine whether Energex promote the branding of their affiliates. • We inspected Schedule 6 – Ring Fencing Requirements for Service Providers to determine whether Energex promote their affiliates. • We inspected on a test basis (a sample of 20) customer feedback received (via the Ombudsman and Energex directly) over the audit period to determine whether their customers expressed confusion over the brands when provided with service from Energex staff. • We inspected the EQL email signature guidelines to determine whether DNSP staff signatures: <ul style="list-style-type: none"> ○ Are independent of branding used by RESP; ○ Do not advertise or promote its direct control services and its contestable electricity services, and; ○ Do not advertise or promote contestable electricity services. 			

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
11	Office and staff registers	4.2.4 (a), (b)	A DNSP must establish, maintain and keep a register that identifies: (a) the classes of offices to which it has not applied; and (b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff and must make the register publicly available on its website.	<p>Control(s):</p> <ul style="list-style-type: none"> Staff sharing registers available on the Energex website. Register updated as required. Staff sharing quick reference matrix available and easy to access on the EQL intranet. Staff system access records. <p>Tests Performed:</p> <ul style="list-style-type: none"> We conducted a search for the registers on the Energex customer-facing website to determine whether they were in place and operable. We inspected the registers to determine information that identified: <ul style="list-style-type: none"> (a) the classes of offices to which it has not applied; and, (b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff. We inspected the staff sharing quick reference matrix and the clarity of instructions provided to determine whether a staff member working for the DNSP can be shared with the affiliate. For all 5 staff seconded over the audit period we inspected their system access records across Energex and the affiliate to determine whether they were not accessing secure information across Energex whilst on secondment at the affiliate. 	<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 on registers it uploads to its customer-facing website to denote the currency of the registers. 	There are no recommendations.	No Exception.
12	Protection of confidential information	4.3.2 (a) (b)	A DNSP must: (a) keep confidential electricity information confidential	<p>Control(s):</p> <ul style="list-style-type: none"> All SharePoint sites have been assessed to determine if they should be ring-fenced and action taken to remove RESP 	<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</p>	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			(b) only use confidential information for the purpose for which it was acquired or generated	<p>access where required and testing of access conducted.</p> <ul style="list-style-type: none"> Procedures put in place requiring Ring-Fencing assessment of new SharePoint sites. Document containing 3,783 information sources assessed to determine Ring-Fencing status and RESP access removed where required. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the procedures required to be followed for Ring-Fencing assessment of a sample of new SharePoint sites to determine whether it addressed Guideline requirements regarding the treatment of confidential information. From the 3,783 information sources assessed, we tested for all 5 staff seconded whether they accessed secure information from the 3,783 sources whilst on secondment at the affiliate. 	<p>obligation, with key point(s) below:</p> <ul style="list-style-type: none"> Periodically test employee system access to ensure DNSP and related electricity service providers cannot access systems which contain Ring-Fenced confidential/sensitive information. 		
13	Disclosure of information	4.3.3 (a)-(g)	A DNSP must not disclose confidential electricity information to any person , including a related electricity service provider, unless: (a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates; (b) the disclosure is required by , or for the	<p>Control(s):</p> <ul style="list-style-type: none"> All SharePoint sites have been assessed to determining if they should be ring-fenced and action taken to remove RESP access where required and testing of access conducted. Procedures put in place requiring Ring-Fencing assessment of new SharePoint sites. Document containing 3,783 information sources assessed to determine Ring-Fencing status and RESP access removed where required. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.

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			<p>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 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</p>	<p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the procedures required to be followed for Ring-Fencing assessment of new SharePoint sites to determine whether it addressed Guideline requirements regarding the treatment of confidential information. From the 3,783 information sources assessed, we tested for all 5 staff seconded whether they accessed secure information from the 3,783 sources whilst on secondment at the affiliate. 			

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			<p>by a legal entity other than a related electricity service provider of the DNSP (g) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>				
14	Information register	4.3.5 (a) - (c)	<p>(a) A DNSP must establish, maintain and keep a register of all: i. related electricity service providers; ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information identified in clause 4.3.4(a), and must make the register publicly available on its website. (b) For each legal entity that has requested that a DNSP provide access to information identified in clause 4.3.4(a), the DNSP's information register must: i. identify the kind of information requested by the legal entity; and ii. describe the kind of</p>	<p>Control(s):</p> <ul style="list-style-type: none"> Information register available on the Energex 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 disclosure is accurate and reflects recent information sharing. It is designed to meet the requirements of the Ring-Fencing Guideline. It is publicly available on the Energex website. 	<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 registers it uploads to its customer-facing website to denote the currency of staff sharing registers. 	There are no recommendations.	No Exception.

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			<p>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>				
15	Conduct of service providers	4.4.1 (a)	<p>A DNSP: (a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with:</p> <p>i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and</p> <p>ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP;</p>	<p>Control(s):</p> <ul style="list-style-type: none"> Schedule 6 – Ring Fencing Requirements for Service Providers. Contract templates have been updated to reflect Ring-Fencing requirements where applicable. Contracts register. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected “Schedule 6 – Ring Fencing Requirements for Service Providers” to determine whether it contained clauses or statements that provide direction to service providers of Energex and its related bodies corporate on the obligations under the Ring-Fencing Guideline that it must comply with under the terms of the Contract. 	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
			as if the service provider was the DNSP.	<ul style="list-style-type: none"> We inspected a sample of 4 procurement contracts executed during the audit period to determine whether that the Ring-Fencing requirements for service providers have been included (where appropriate) and determined whether the agreements have been signed and executed. 			
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"> Schedule 6 – Ring Fencing Requirements for Service Providers. Contract templates have been updated to reflect Ring-Fencing requirements where applicable. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected "Schedule 6 – Ring Fencing Requirements for Service Providers" to determine whether it contained clauses or statements that provide direction to service providers of Energex and its related bodies corporate on the obligations under the Ring-Fencing Guideline that it must comply with under the terms of the Contract. We inspected a sample of 4 procurement contracts executed during the audit period to determine whether the Ring-Fencing requirements for service providers have been included (where appropriate) and validated that the agreements have been signed and executed. 	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
17	The AER will not grant a waiver of an Obligation	5.2 (a) - (h)	A DNSP may apply in writing to the AER for a waiver. An application for a waiver	<p>Control(s):</p> <ul style="list-style-type: none"> Waiver Register created and available on Energex customer-facing website. 	Based on the control testing performed we have not identified any matters of exception, however we have identified a matter for improvement as follows:	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
	under this Guideline other than in accordance with this clause 5		<p>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 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</p>	<p>Tests Performed:</p> <ul style="list-style-type: none"> • We performed a search of Energex's customer-facing website to determine whether a Waiver Register is publicly available. • We inspected a sample of applications in the Waiver Register to determine whether for information relating to and supporting: <ul style="list-style-type: none"> ◦ Clauses (a) to (h). 	<ul style="list-style-type: none"> • Management could include a date of change and version control number on registers it uploads to its customer-facing website to denote the currency of staff sharing registers. 		

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			<p>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 created and available on Energex’s customer-facing website. <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Energex’s customer-facing website to determine whether a waiver register is publicly available. 	<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 registers it uploads to its customer-facing website to denote the currency of staff sharing registers. 	<p>There are no recommendations.</p>	<p>No Exception.</p>
19	Waiver register	5.7 (b)	<p>The register established under clause 5.7(a) must include:</p> <ul style="list-style-type: none"> 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. 	<p>Control(s):</p> <ul style="list-style-type: none"> Waiver Register created and available on Energex Website. <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Energex’s customer-facing website to determine whether a waiver register is publicly available. We inspected the applications in the Waiver Register to determine whether for information relating to and supporting: <ul style="list-style-type: none"> 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 registers it uploads to its customer-facing website to denote the currency of staff sharing registers. 	<p>There are no recommendations.</p>	<p>No Exception.</p>

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
20	Maintaining compliance	6.1	A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline.	<p>Control(s):</p> <ul style="list-style-type: none"> Ring-Fencing Awareness training module has undergone a significant update and has been rolled out. Ring-Fencing training added to annual EQL compliance training requirements. Confidential Information Policy includes Ring-Fencing obligations. Ring-Fencing breach register is created, maintained and updated. Materiality Calculator in place which assesses breaches to determine if material. ring.fencing@energyq.com.au email address available for all staff to request clarifying advice on Ring-Fencing issues. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected the Confidential Information Policy to determine EQL's approach to the management and handling of Confidential Information. We inspected a copy of Energex's Ring-Fencing Breach Register to determine whether reportable breaches were classified as follows: <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 the Reporting potential Ring-Fencing breaches Guidance for Energy 	<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, of the 7,774 employees of EQL 1,122 employees have completed the Ring-Fencing training program, 826 employees have yet to complete the training. From the 5 secondees across the DNSP who transferred to Yurika during the audit period we were unable to determine whether they had completed the Ring-Fencing training program due to de-identification of sample data provided. <p>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 registers it uploads to its customer-facing website to denote the currency of staff sharing registers. 	<p>To address the results of testing we recommend the below:</p> <ul style="list-style-type: none"> Management ensure the 826 employees who have not yet completed the training program do so as soon as possible. Priority to be given to seconded staff. 	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>Queensland staff to determine whether it provides guidance for EQL staff on how to identify, and escalate for investigation, potential breaches of the AER's Ring-Fencing Guideline.</p> <ul style="list-style-type: none"> We inspected Energex's Breach Materiality calculator to determine whether its suitability for supporting employees with maintaining compliance with the obligations. We inspected a sample of 3 emails sent to ring.fencing@energyq.com.au 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 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>Control(s):</p> <ul style="list-style-type: none"> Annual Compliance Report 2017/18 Ring-Fencing breach register is created, maintained and updated. Breach notification and reporting procedure in places. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected a copy of Energex's Annual Compliance Report 2017/18 to determine it addresses points (i) to (iv). We inspected a copy of Energex's Ring-Fencing Breach Register to determine reportable breaches were classified as follows: <ul style="list-style-type: none"> Date of the breach; Reportable date of the breach; The nature and cause of the breach; 	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>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"> ○ Impacts of the breach, and; ○ Remediation activities to address the breach. • We inspected Energex’s Breach Materiality calculator to determine whether 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"> • Ring-Fencing breach register is created, maintained and updated. • Breach notification and reporting procedure in places. • Customer feedback and Ombudsman enquiry. <p>Tests Performed:</p> <ul style="list-style-type: none"> • We inspected a copy of Energex’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 all breaches were considered and 	<p>Based on the control testing performed we have not identified any matters of exception.</p>	<p>There are no recommendations.</p>	<p>No Exception.</p>

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				subsequently reported in accordance with the Guideline.			