



Ergon Energy Corporation 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 Ergon Energy Corporation Limited ("Ergon") and Deloitte dated 19 July 2019 as the qualified independent authority to provide reasonable assurance that Ergon'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 Ergon

Opinion

We have undertaken a reasonable assurance engagement on whether Ergon'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 Ergon'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 Ergon

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 Ergon'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 Ergon'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 Ergon'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 Ergon staff about controls are in place to allow Ergon 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 Ergon 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 Ergon, 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 Ergon using the ACN in the distribution license to establish it is a separate legal entity. We inspected the Ergon website https://www.Ergon.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"> Ergon constitution. Board paper templates include means for identifying Ring-Fencing papers. <p>Tests Performed:</p> <ul style="list-style-type: none"> We inspected Ergon's constitution to determine whether it addressed Ring-Fencing requirements and did not promote the services of Ergon'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"> Ergon 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 Ergon and the affiliate offices to determine whether they were restricted from entering secure floors or offices across Ergon'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 Ergon 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 Ergon and their affiliated entity to determine whether Ergon 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:</p> <p>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 Ergon’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 Ergon promote the branding of their affiliates. • We inspected Schedule 6 – Ring Fencing Requirements for Service Providers to determine whether Ergon promote their affiliates. • We inspected on a test basis (a sample of 20) customer feedback received (via the Ombudsman and Ergon directly) over the audit period to determine whether their customers expressed confusion over the brands when provided with service from Ergon 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 Ergon 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 Ergon 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 Ergon and the affiliate to determine whether they were not accessing secure information across Ergon 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 (b) only use	<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 	Based on the control testing performed we have not identified any matters of exception, however we have identified a matter of improvement against the	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			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 Ergon 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 Ergon 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 Ergon 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 Ergon 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 Ergon 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.

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	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 Ergon'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 Ergon’s customer-facing website. <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Ergon’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 Ergon Website. <p>Tests Performed:</p> <ul style="list-style-type: none"> We performed a search of Ergon’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>

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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 Ergon'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.

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				<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 Ergon'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 Ergon's Annual Compliance Report 2017/18 to determine it addresses points (i) to (iv). We inspected a copy of Ergon'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; Impacts of the breach, and; 	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>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"> ○ Remediation activities to address the breach. • We inspected Ergon’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 Ergon’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>

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				subsequently reported in accordance with the Guideline.			