

30 October 2019

Moston Neck  
Director  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Dear Mr Neck

## **Evoenergy Electricity Networks – FY19 ring-fencing compliance**

Please find attached Evoenergy's FY19 ring-fencing compliance report and associated independent assessment conducted by Deloitte. Evoenergy's comments on Deloitte's findings are included at the back of its independent assessment report.

If you have any queries regarding the attached, please contact Fiona Wright, Acting General Manager, Evoenergy on (02) 6293 5850.

Yours sincerely



John Knox  
Chief Executive Officer



# Evoenergy FY18-19 Ring-fencing Compliance Report

Draft V4 27 September 2019

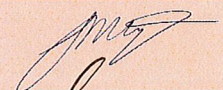
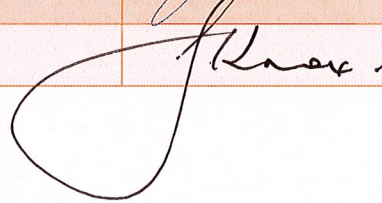


## Document management

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### Approval

Date	Name	Position	Signature
29/10/19	Leylann Hinch	Acting Group Manager, Strategy and Operations	
30/10/19	Fiona Wright	Acting General Manager, Evoenergy	
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# 1. Introduction

## 1.1 Background

The Australian Energy Regulator (**AER**) released its draft Ring-fencing Guideline in November 2016 and the current Ring-fencing Guideline (**Guideline**) in October 2017.

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 competitive advantages to its affiliates, operating in unregulated markets.

A key objective of ring-fencing is to provide a level playing field for participants in contestable electricity markets through accounting and functional separation of the provision of direct control services by DNSPs from the provision of other distribution services by them, or their affiliated entities.

*ActewAGL Distribution (**AAD**) is committed to continuous improvement in the implementation of the Guideline in the interests of maintaining a high level of trust from our customers that our investment in the network is prudent and efficient.*

*Further, AAD has an interest in promoting the growth of a market for contestable electricity services in the ACT. A vibrant market for electricity services will allow it to drive further efficiencies and innovation in our operations, which will ultimately result in lower prices for its customers.*

- AAD submitted its first compliance report to the Australian Energy Regulator for the period 1 January 2018 to June 2018 (**FY17-18**), accompanied by an independent assessment of AAD's FY17-18 ring-fencing compliance by Ernst & Young (**EY**).

The independent assessment identified a number of areas of non-compliance.

In FY18-19, AAD undertook a significant ring-fencing program to drive compliance in line with the recommendations identified by EY. This included:

- Development of a services classification;
- Development/modification of ring-fencing procedures, processes, monitoring and reporting mechanisms; and
- Training of all AAD staff.

The new controls contained within the ring-fencing policies and procedures were communicated across AAD by midway through FY18-19.

## 1.2 Purpose of Report

This report sets out AAD's compliance with the Guideline for the period 1 July 2018 to 30 June 2019 (**FY18-19**), specifically:

- the measures taken to ensure compliance with the Guideline;
- any breaches of the Guideline by AAD, or which otherwise related to AAD;
- all *other services* provided by AAD in accordance with the Guideline; and
- the purpose of all transactions between AAD and its affiliated entities.

Key AAD documents to ensure compliance with the Guideline are described in **Appendix 1**.

This report is also accompanied by an independent assessment of AAD's FY18-19 ring-fencing compliance by Deloitte.

### 1.3 Compliance Management Framework

Compliance with the Guideline is managed in accordance with AAD's Compliance Management Manual, which sets out three lines of assurance as shown in Table 1 below.

Assurance is provided by a range of activities across organisations at three broad levels:

- Level 1 – quality assurance – this refers to the operation and continuous or frequent monitoring of day-to-day controls embedded into work processes.
- Level 2 – management assurance – this includes routine and regular line management review of risks and their treatments.
- Level 3 – independent assurance – this refers to selective (generally risk-based) independent and objective review of systems of management or a defined scope of activity.

TABLE 1 – AAD ASSURANCE LEVELS

Assurance Level	Example Activities	Responsibility
First line	Self-assessments on effectiveness of controls and processes (e.g. procedures, processes, reporting mechanisms)	Functional Managers & teams
Second line	Semi-independent assurance of control effectiveness and process performance through Management Initiated Reviews and Audits	Risk and Compliance Team Planning and Regulation Team
Third line	Independent assurance through Internal Audit Program and Regulatory Audits	Internal Audit and Fraud Control

For the most part, the focus of FY18-19 was on developing, implementing and communicating ring-fencing controls in response to the FY17-18 audit findings. These measures are detailed in Section 2 below.

The focus of FY19-20 will be on the second and third line of assurance and in particular how functional managers and staff continuously assess ring-fencing compliance and proactively engage the Regulatory and Compliance teams to validate control health and compliance as input to the annual compliance reporting process. AAD is in the process of developing a new summary assurance map. Assurance mapping identifies the assurance activities undertaken to address significant risks impacting an organisation.



## 2. Compliance Measures

### 2.1 Prevent cross subsidies

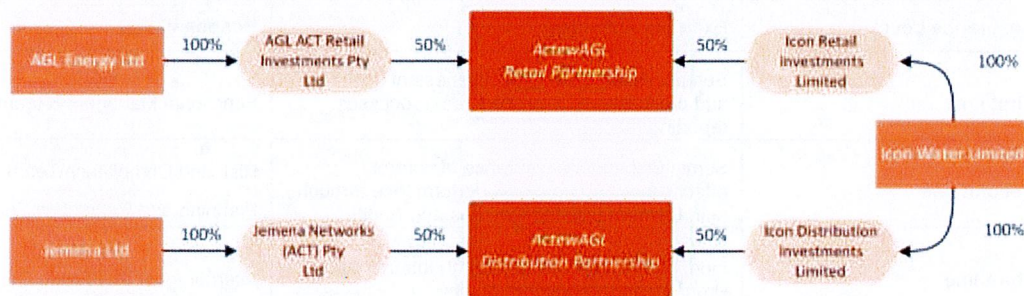
#### 2.1.1 Legal Separation

##### Considerations

ActewAGL comprises two partnerships – the AAD partnership and the ActewAGL Retail (AAR) partnership. The AAD partnership owns and operates the ACT electricity network and owns the gas networks in the ACT, Queanbeyan and Palerang shires, and Nowra. AAR sells electricity and natural gas, along with managing customer service and marketing functions in a competitive market.

The AAD partnership is a legal entity and is the DNSP for the purposes of the Guideline. AAD is owned equally by Icon Water Ltd and Jemena Ltd via subsidiary companies. The AAR partnership is owned equally by Icon Water Limited and AGL Energy Ltd via subsidiary companies. This ownership structure is shown in Figure 1 below.

FIGURE 1 – ACTEWAGL LEGAL AND OWNERSHIP STRUCTURE

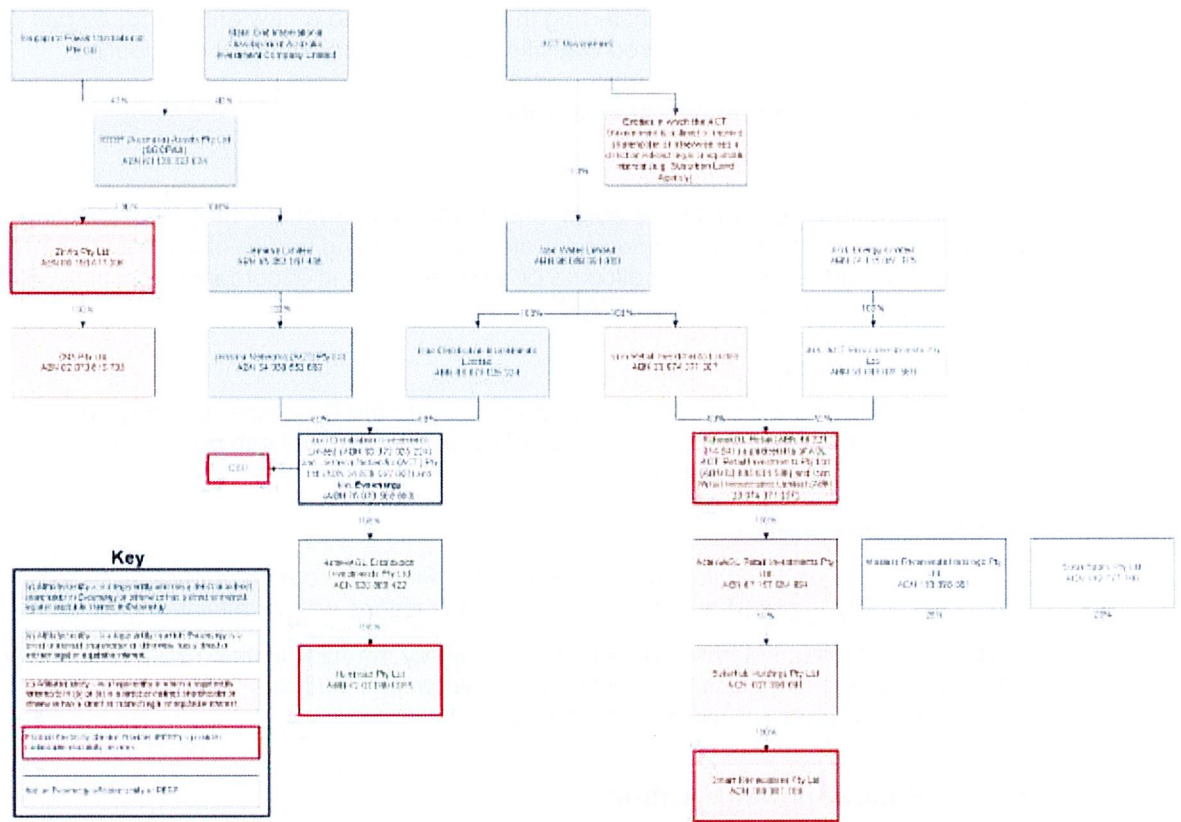


AAD comprises three business units:

- Evoenergy – which provides direct control services (and other non-electricity services under a waiver);
- The Contestable Business Unit (CBU) - which provides other distribution services
- Corporate Services, which provides shared corporate services.

The legal separation obligations in the Guideline prevent AAD from using regulated funds to subsidise services provided by Related Electricity Service Providers (RESPs). AAD's affiliated entities and Related Electricity Service Providers (RESPs) are illustrated below.

FIGURE 2 – AAD AFFILIATED ENTITIES AND RESPS



The current arrangement, whereby, the CBU is both part of AAD and a RESP restricts the services it is able to provide. A new and separate legal entity has been formed which will allow a broader range of service provision when it becomes operational in due course.

**FY17-18 Audit findings**

In its FY17-18 audit, EY found that AAD does not have a process in place to classify services and that a comprehensive review be undertaken to ensure that Evoenergy and CBU are not providing “other services”, other than those for which a waiver has been granted.

**FY18-19 Compliance actions**

In FY18-19, AAD developed a process to classify services under the Guideline that was communicated to staff in its new *Ring-fencing Staff Information Manual (G.1)*.

It also engaged Aurecon Australia to review the current classification of its services. The review found that AAD’s current classification was correct, other than CBU’s provision of twelve ‘behind the meter’ electric vehicle charging services, which are defined as a contestable electricity service. Based on this, AAD notified the AER of a breach of the Guideline and transferred the electric vehicle charging services to its affiliate Illuminact on 31 May 2019.

A key focus in FY18-19 was ensuring transparency and control in the provision of CBU services to AAD.



### ***Focus for FY19-20***

The key focus for FY19-20 is transferring these functions to a new entity and, as part of this, to communicate AAD's revised classification of services under the Guideline.

## **2.1.2 Establish and maintain accounts**

### ***Considerations***

The Guideline requires AAD to establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions with our affiliates. Further, AAD must allocate or attribute costs in accordance with its AER-approved Cost Allocation Method (**CAM**).

### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD complies with the Guideline, but may benefit from documenting an internal accounting policy to ensure that it can document transactions with affiliate entities.

### ***FY18-19 Compliance actions***

In FY18-19, AAD updated its *Intercompany and Related Accounting Policy* (A.1) to support its ability to report on all related-party transactions with its affiliated entities.

AAD's Cost Allocation Method (A.2) was approved by the AER in its FY20-24 electricity determination and it consistently applies Cost Allocation Principles including to the attribution of Corporate Service costs to AAD.

## **2.2 Functional Separation**

### **2.2.1 Obligation not to discriminate**

#### ***Considerations***

AAD must not discriminate in favour of affiliates or the customers of affiliates. This obligation applies generally, but also with specific reference to the terms and conditions, timeliness, and quality of services that AAD offers and provides to other parties.

#### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD did not have formal processes in place around its obligation to not discriminate, nor had it fully identified or considered potential 'hot spot' activities likely to give rise to discrimination.

EY further found that AAD had not considered a competitive procurement process when engaging with CBU for services.

#### ***FY18-19 Compliance actions***

AAD's compliance actions in FY18-19 covered both all-staff training and procurement improvements as summarised below.

##### Staff training and awareness

In FY18-19, AAD developed and communicated a *Corporate Procedure Ring-fencing* (G.3) and a *Ring-fencing Staff Information Manual (Manual)* (G.1) that set out the Guideline obligations with which AAD and its staff must comply. A key detective control



included in the Manual is the process for staff to use a new ring-fencing enquiry mailbox that is administered by the Regulatory Team to raise general ring-fencing compliance enquiries or potential breaches for consideration and two-way feedback.

Communication of the Manual was accompanied by four on-line training modules that highlight the 'golden rules' of ring-fencing compliance and included flow charts to assist staff in meeting the relevant obligations. Ninety three per cent of staff completed the training (with those who did not complete the training being on extended leave). Online refresher training will be held annually for all AAD staff and all new AAD staff must complete the online training.

In addition, specific fact sheets (D.2) were produced and communicated to Contact Centre staff in FY18-19.

#### Procurement

In FY18-19, AAD launched its amended *Procurement Management Manual (PMM)* (D.1) which includes an obligation not to discriminate against a service provider that competes with AAD's affiliates. It also requires Evoenergy to source at least one quote from a non-affiliated entity (where an affiliate submits a quote for jobs of any size).

AAD also reviewed controls over CBU existing work requests with Evoenergy – to ensure transparency on these legacy arrangements.

#### ***Focus for FY19-20***

A key focus for FY19-20 on training is developing simple fact sheets and engaging front-line teams (e.g. field) in two-way discussions regarding ring-fencing compliance scenarios.

AAD has also created a dedicated procurement team in Evoenergy and applied new controls for AAD's Contract and Procurement team to manage procurement contracts >\$250k with probity and conflict of interest obligations and periodic internal reviews that include ring-fencing considerations. Procurement <\$250k is managed by Evoenergy staff with similar probity and conflict of interest obligations.

## **2.2.2 Physical separation/co-location**

### ***Considerations***

AAD must physically separate the provision of direct control services from the provision of contestable electricity services by its RESPs including CBU, Illuminact and AAR.

### ***FY17-18 Audit findings***

In its FYE18 audit, EY found that CBU employees had access to Evoenergy offices.

### ***FY18-19 Compliance actions***

In FY18-19, AAD reviewed its office locations to ensure that Evoenergy staff are not located in the same building - or have unauthorised access to the office spaces of its RESPs.

A new facility access procedure (O.1) was developed and communicated in FY18-19 to ensure that Evoenergy staff cannot access areas where staff provide contestable electricity services (and vice versa). This includes the specific floors of ActewAGL House where AAR is located – noting the common access areas in ActewAGL House remain the carpark, building foyer and kitchens and toilets located on each floor.



In line with the procedure, the Corporate Facilities team reviews facility access (particularly for CBU staff) on a monthly basis, and provide a *Cardholder/Activity Report* "Monthly CBU Ring-fencing Report" (O.3). The team also oversees the protocols for escorting CBU or AAR staff when visiting Evoenergy office locations.

### **2.2.3 Staff sharing**

#### ***Considerations***

AAD must ensure that AAD 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 its RESPs.

#### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that CBU employees were involved in the provision of direct control and contestable electricity services.

#### ***FY18-19 Compliance Actions***

In FY18-19, four staff secondments were undertaken between Evoenergy and CBU. These secondments were over-sighted by the Corporate People Solutions and Support team. Each were not short-term secondments and required staff to complete the ring-fencing training highlighted above and ensure that their system access appropriately protected electricity information within the Guideline.

As at 9 July 2019, there are no longer any secondees between Evoenergy and CBU and one secondment between Evoenergy and AAR that ceases in November 2019.

### **2.2.4 Branding and cross-promotion**

#### ***Considerations***

AAD must ensure that its branding for direct control services is independent and separate from the branding used by RESPs for contestable electricity services and that these services are not cross-promoted.

#### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD complies with the Guideline.

#### ***FY18-19 Compliance actions***

AAD has retained its strong separate branding from its RESPs as required by the Guideline. AAD has *Branding and Cross-Promotion Flowchart* (O.6) in place, which are periodically reviewed and updated to ensure compliance with the Guideline.

### **2.2.5 Office and staff registers**

#### ***Consideration***

AAD must maintain office and staff registers that are published on its website.

#### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD's office and staff registers were not published on its website.



### ***FY18-19 Compliance actions***

In FY18-19, AAD updated and published its *Office Register* (O.7) and *Staff Register* (O.5) on its website. In relation to the Staff Register, AAD's interpretation of clause 4.2.2(a) of the Guidelines is that it covers staff involved in the provision or marketing of both direct control and contestable electricity services at the same time and not staff that are seconded to provide one or the other of these service types.

## **2.2.6 Protection of confidential information**

### ***Consideration***

AAD must protect confidential information and only use it for the purposes it was acquired or generated.

### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD did not have formal policies or procedures to protect confidential information (including how confidential information is segregated in key information systems) and that CBU staff had access to systems that may contain confidential information.

### ***FY18-19 Compliance actions***

In FY18-19, AAD developed its *Ring-fencing staff information manual* (G.1) and its *Information Sharing Protocol* (I.2), which is published on its website. AAD also publishes its *Privacy Policy* (I.8) on its website that sets out how AAD will protect customer data.

One of the four on-line training modules developed and rolled out during the year addresses confidential information and compliance with the Guideline. Refresher and new staff training is mandatory as part of ring-fencing compliance.

In FY18-19, AAD also completed an audit of CBU staff access to AAD systems with specific access revoked in compliance with the Guideline.

### ***Focus for FY19-20***

AAD has developed system user groups (O.4) for CBU staff to ensure systems access permissions are role-defined. Any system access permissions requested outside of these user groups undergo an approval process.

An IT Architecture Review Board (ARB) has been established to provide guidance to the business units. The ARB will review system designs including system access controls to ensure adherence with the ring-fencing obligations where relevant.

## **2.2.7 Disclosure and sharing of information**

### ***Consideration***

AAD must not disclose confidential information to any person, including a RESP, unless an exemption applies. AAD must publish an information sharing protocol and where it does disclose confidential information to a RESP, it must make that information available to other parties and ensure that information is managed in line with the Guideline.

### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD did not have formal policies and procedures to identify and protect confidential information and that it had not published an Information Sharing Protocol on its website.

### ***FY18-19 Compliance actions***



As noted above, in FY18-19 AAD developed and communicated its Staff Information Manual with supporting on-line training and published its Information Sharing Protocol on its website.

During FY18-19, AAD received third party requests for electricity information – including specific requests from RESPs. No confidential information was shared by AAD and no requests for access to AAD's Information Register were received from third parties.

***Focus for FY19-20***

A key focus for FY19-20 is improving controls around third party information requests. While AAD staff are applying the correct controls around these requests, more transparency could be achieved by requiring any request from a RESP to be recorded and/or escalated using the ring-fencing enquiry mailbox. This will help demonstrate how AAD processes third party information requests in line with the Guideline.

**2.2.8 Information register**

***Consideration***

AAD must publish an information request on Evoenergy's website.

***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD had not published an information register on its website.

***FY18-19 Compliance actions***

In FY18-19, AAD published an information register on its website. To date AAD has not received any requests for confidential information from either RESPs or any other legal entities who provide contestable electricity services.

**2.2.9 Conduct of service providers**

***Consideration***

AAD must ensure that service providers that assist in delivering direct control services must comply with the Guideline.

***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD complied with the Guideline.

### ***FY18-19 Compliance actions***

In FY18-19, AAD continued its requirement that service providers comply with the Guideline, including by ensuring that all new and varied contracts contain a ring-fencing clause and by sending out a *Ring-fencing Fact Sheet for Evoenergy Service Providers* (P.1) on ring-fencing compliance as part of the training and awareness that was undertaken during the year.

## **2.3 Waivers**

### ***Consideration***

AAD must publish a register of waivers granted under the Guideline.

### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD complied with the Guideline.

### ***FY18-19 Compliance actions***

In FY18-19, AAD held waivers in relation to its ACT Gas Network, its Nowra Gas Network and its CNG Refuelling Facility (See Section 0). AAD's *Waiver Register* (W.1) was published on its website.

## **2.4 Compliance and Enforcement**

### **2.4.1 Maintain compliance**

#### ***Consideration***

AAD must maintain internal procedures to ensure compliance with the Guideline and be able to demonstrate the adequacy of these procedures.

#### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD did not have formal policy or procedures to ensure compliance with the Guideline.

#### ***FY18-19 Compliance actions***

In FY18-19, AAD updated its *Compliance Management Manual* (C.2) and its Compliance Management system to reflect the new key controls developed in FYE19 for each obligation under the Guideline. The Staff Information Manual and online training also sets out AAD's commitment to comply with the Guideline and the process for staff to make enquiries or identify potential breaches via the ring-fencing enquiry mailbox.

#### ***Key focus for FY19-20***

A key focus for FY19-20 is undertaking a program of control assessment, sample testing and promoting staff to use the ring-fencing enquiry mailbox to raise queries and compliance issues in support of compliance assurance and the annual compliance reporting process.

### **2.4.2. Compliance reporting**

#### ***Consideration***

AAD must prepare an annual compliance report each year accompanied by an independent compliance assessment.



#### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD did not have formal policy or procedures to ensure compliance with the Guideline.

#### ***FY18-19 Compliance actions***

In FY18-19, AAD focused on implementing the recommendations arising from the FY17-18 audit as set out above. The ring-fencing enquiry mailbox was used by staff to raise queries and compliance issues during the year.

### **2.4.3. Breach Notification**

#### ***Consideration***

AAD must notify the AER within five days of a material breach of its obligations under the Guideline.

#### ***FY17-18 Audit findings***

In its FY17-18 audit, EY found that AAD had not defined what constitutes a material breach and does not have breach identification, escalation and notification procedures.

#### ***FY18-19 Compliance actions***

In FY18-19, AAD updated its *Breach Identification and Reporting Manual (C.3)* to reflect its ring-fencing compliance obligations.

#### ***Key focus for FY19-20***

AAD will define what constitutes a material breach and further develop and embed its detective controls – including through the ring-fencing enquiry mailbox – to proactively identify, escalate and where required notify ring-fencing compliance issues.

## **3. Breaches**

AAD is required under the Guideline to report any breaches to the AER within five days of becoming aware.

In FY18-19, Evoenergy reported one material breach of the Guideline. The breach was identified via a consultant review of AAD's *Classification of Services Flowchart (L.1)*. The consultant review identified that AAD's CBU was providing an "other service" in the form of maintaining EV charging stations for which a waiver had not been granted. This was identified as a breach of Clause 3.1 (b) and reported to the AER.

Once the breach was identified the service was transferred to Illuminact, as a separate legal entity.

## 4. AAD other services

The Guideline requires AAD to report all other services it provides. Specifically, the provision of 'other services' is subject to the granting of ring-fencing obligation waivers by the AER.

AAD has been granted a waiver to continue to own and operate its:

- Natural gas distribution pipelines located in the ACT and the Queanbeyan-Palerang council area east of Canberra (ACT Gas Network) until 30 June 2024.
- Natural gas distribution pipelines located in the Nowra network in the Shoalhaven local government area on the NSW south coast (Nowra Gas Network until 30 June 2024).
- Compressed natural gas refuelling facility in the Canberra suburb of Fyshwick (CNG Refuelling Facility) until 31 December 2019.

As outlined in Section 3, it was identified that AAD was also providing services to maintain electric vehicle charging stations via CBU, and that this was a breach of the Guideline. AAD no longer provides this "other service" having been transferred to Illuminact, as a separate legal entity.

## 5. AAD transactions with related entities

To comply with the Guideline, AAD must set out the purpose of all transactions between AAD and its affiliated entities for FYE2019.

Table 2 sets out the transactions for services provided by affiliates to AAD and Table 3 set out transactions for services provided by AAD to its affiliates.

TABLE 2 – SERVICES PROVIDED BY AFFILIATES TO AAD

Affiliate	Overview of service provided by affiliate	Comment
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Electricity and gas retail services to Evoenergy.	See Section 2.2.1 for procurement processes
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Manage the CNG Refuelling Station and pass on wholesale fuel costs to Evoenergy.	The CNG Refuelling Station is an "other service" for which a waiver has been granted by the AER. This transaction has been included for completeness.
Icon Water Limited	Water and sewerage services to Evoenergy	Icon Water is the regulated monopoly provider of water and sewerage services in ACT and therefore is not subject to the procurement process described in Section 2.2.2)
Icon Water Limited	Reimbursement of employee-related costs for seconded employees.	See Section 2.2.3
Zinfra	Construction services to AAD's electricity distribution network business	See Section 2.2.1 for procurement processes



Jemena Limited	Jemena provide various management services to Evoenergy, including asset management, general management and construction management, for both routine and non-routine activities within the Gas business.	AAD's gas network business provides an "other service" for which a waiver to comply with the Guidelines has been granted by the AER. The gas network business is subject to separate ring-fencing requirements under the National Gas (South Australia) Act 2008 (SA). This transaction has been included for completeness
Jemena Limited	Jemena undertake works on behalf of external parties on the gas network, and gift these to Evoenergy. These are recorded at fair value by Evoenergy however there is no exchange of cash.	AAD's gas network business provides an "other service" for which a waiver to comply with the Guidelines has been granted by the AER. The gas network business is subject to separate ring-fencing requirements under the National Gas (South Australia) Act 2008 (SA). This transaction has been included for completeness.

TABLE 3 – SERVICES PROVIDED BY AAD TO AFFILIATES

Affiliate	Overview of service provided by AAD	Comment
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Regulated electricity and gas services	Regulated service
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Warehousing services	Warehousing costs are allocated according to floor space occupied for inventory belonging to each division in accordance with Evoenergy's AER approved cost allocation method
ActewAGL Retail, a partnership of AGL ACT Retail Investments Pty Ltd and Icon Retail Investments Limited	Compress and deliver natural gas for ActewAGL Retail to on sell to customers through the CNG Refuelling Station.	The CNG Refuelling Station is an "other service" for which a waiver has been granted by the AER. This transaction has been included for completeness.
Icon Water Limited	Evoenergy provide dial before you dig and call centre services to Icon Water	
Icon Water Limited	AAD charge a fee to Icon Water for use of shared IT systems.	IT costs are allocated according to floor space occupied for inventory belonging to each division in accordance with Evoenergy's AER approved cost allocation method
Icon Water Limited	Evoenergy have a lease agreement with Icon Water for the CNG refuelling station.	See Section 2.2.1 for procurement processes
Icon Water Limited	Evoenergy have a lease agreement with Icon Water for the CNG refuelling station.	The CNG Refuelling Station is an "other service" for which a waiver has been granted by the AER. This transaction has been included for completeness.
Icon Water Limited	Reimbursement of employee-related costs for seconded employees.	See Section 2.2.3

## Appendix 1. AAD Key Ring-fencing Documents

ID	Document Name	Purpose/Description	Relevant obligations
GENERAL			
G.1	Ring-fencing Staff Information Manual (SM4648)	To provide all staff with resources for ring-fencing protocols and compliance requirements under the Guideline, where ring-fencing protocols can be stored and accessed as well as where breaches can be reported.	All
G.2	Ring-fencing Compliance Fact Sheet	To provide a ring-fence compliance fact sheet that stipulates the requirements for staff to comply with the guidelines. The fact sheet has a particular focus on call centre staff and technical (hot spot) staff.	All
G.3	Corporate Procedure Ring-fencing (PR4111)	To set out AAD's requirements to comply with the Guideline.	All
LEGAL SEPARATION			
L.1	Classification of Services Flowchart	To set out how are AAD services are classified as either regulated distribution services, unregulated distribution services or other services. Does not include the current classification which has yet to be incorporated within an AAD document.	3.1
SEPARATE ACCOUNTS			
A.1	Intercompany and Related Accounting Policy	To provide the intercompany and related accounting policy that sets out; the internal accounting procedures, report on transactions between the DNSP and its affiliated entities and any additional information to demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	3.2.1
A.2	AER Decision - ActewAGL Distribution (Evoenergy) Cost Allocation Method	To set out how AAD allocates its costs between the different services that it provides. Includes information on how AAD allocates costs for services that it provides to RESPs and other affiliated entities.	3.2.2
OBLIGATION TO NOT DISCRIMINATE			
D.1	Procurement Management Manual - Phase 2 Sourcing and Selection (SM5022)	To provide guidance on the Sourcing and Selection phase of the procurement process. Includes the requirement that at least one quote must be sourced from a non-affiliated entity in order to meet the minimum market approach requirements	4.1 4.4.1
D.2	Obligation not to Discriminate Flowchart	To set out the obligations for AAD staff when interacting with RESPs and other contestable energy service providers.	4.1

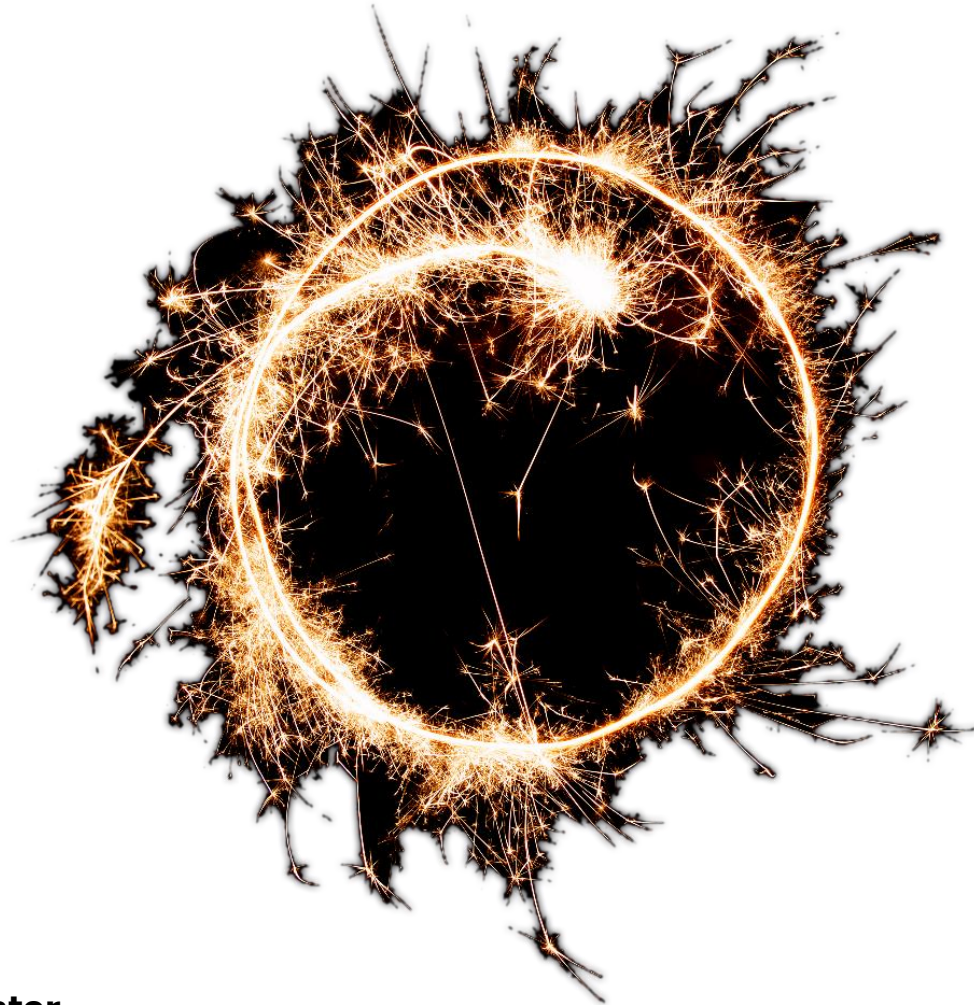


ID	Document Name	Purpose/Description	Relevant obligations
OFFICES, STAFF BRANDING AND PROMOTIONS			
O.1	Security Pass and ID Card Procedure (PR4635)	To ensure all persons are clearly identified as being an employee of AAD or a contractor working for AAD and are provided identity cards and electronic access as appropriate to complete their duties. Sets out how the corporate team is to oversee access	4.2.1 4.2.2
O.2	Physical Separation and Staff Sharing- flowchart	To capture the physical separation and staff-sharing requirements that stipulates the requirements for staff to comply with the Guideline.	4.2.1 4.2.2
O.3	Cardholder/Activity Report "Monthly CBU Ring-fencing Report"	Provides a monthly report of all offices accessed by AAD staff, distinguishing between CBU, Corporate and Evoenergy staff	4.2.1
O.4	System Access User Group	Defined system access permission for CBU staff.	4.2.1
O.5	Staff Register	To provide Evoenergy's staff register via a publicly available website, identifying the nature of positions (including description of the roles, functions and duties) of its members of staff, to which staff involved in the provision or marketing of direct control services are involved in the provision or marketing of contestable electricity services by a related electricity service provider by reason of clauses 4.2.2(b)i.a., 4.2.2(b)ii., 4.2.2(b)iii. Or 4.2.2(d) of the Guideline.	4.2.2 4.2.4
O.6	Branding and Cross-Promotion Flowchart	To capture the branding and cross-promotion requirements for Evoenergy's direct control services separately to that used by a related electricity service provider for contestable electricity services, without promoting contestable electricity services provided by a related electricity service provider other than the DNSP itself, including any exceptions as per the Guideline.	4.2.3
O.7	Office Register	To provide Evoenergy's office register via a publicly available website, identifying the classes of offices to which physical separation or co-location requirements have not been applied by reason of clauses 4.2.1(b)i., or 4.2.1(b)iii.	4.2.1 4.2.4
INFORMATION ACCESS AND DISCLOSURE			
I.1	Confidential Information Flowchart	To provide assistance in identifying electricity information and confidential information.	4.3.2 4.3.3 4.3.4
I.2	Information Sharing Protocol	To provide the information sharing protocol via a publicly available website, that sets out how and when it will make confidential information available to RESPs and other legal entities on an equal basis.	4.3.2 4.3.3 4.3.4 4.3.5

ID	Document Name	Purpose/Description	Relevant obligations
I.3	Information Register	To provide the information register via a publicly available website, that publishes all valid requests for access to confidential information (including the kind of information requested and their description) made by RESPs and other legal entities who provide contestable electricity services.	4.3.3 4.3.4 4.3.5
I.4	CBU Permissions	To document the information that CBU personnel have access to.	4.3.5
I.5	Listed Legal Entities	To provide the record of listed legal entities via a publicly available website, involving all requests for being included on the register, the date added to the list and information types requested.	4.3.5
I.6	Information Request Form	To provide a form for legal entities seeking to apply for access to information identified on the information register, such that they can be assessed by Evoenergy for disclosure of information, and responded to with: a confirmation of whether the information request is complete and valid under the Guideline, and the timeframe and communication mechanism for the provision of information.	4.3.3 4.3.4 4.3.5
I.7	Register Inclusion Form	To provide a form that legal entities can use to request to be included on the information register with respect to all or specific kinds of information.	4.3.4 4.3.5
I.8	Privacy Policy	To provide a privacy policy that sets out that confidential information is kept confidential, and that confidential information is only used for the purpose for which it was acquired or generated.	4.3.2
SERVICE PROVIDERS			
P.1	Ring-fencing Fact Sheet for Evoenergy Service Providers	To provide guidance to Evoenergy service providers/contractors.	4.4.1
P.2	Conduct of Service Providers- Flowchart	To capture the obligations for conduct of service providers under any new or varied agreements involve; complying with clauses 4.1, 4.2.1, 4.2.2, 4.2.3 and 4.3.2 of the Guideline, and not encouraging or incentivising a service provider to engage in conduct that would go against the DNSP's obligations under clause 4 of the Guideline.	4.4.1
WAIVERS			
W.1	Waiver Register	To provide the waiver register via a publicly available website, that records: waivers that have been successfully submitted to the AER, the description of the waiver, the terms and conditions of the waiver and its expiration date.	5.7
COMPLIANCE AND ENFORCEMENT			
C.1	Legal Compliance Process (PR4904)	To document the end to end process for capturing new and amended legislation relevant to ActewAGL's operations within the ActewAGL compliance management database (CMO), including the required monitoring of operational	6.1 6.2



ID	Document Name	Purpose/Description	Relevant obligations
C.2	Compliance Management Manual (SM0301)	<p>compliance against obligations. This document is relevant to compliance controls already in place to address compliance with existing legal obligations.</p> <p>To provide business with tools and knowledge of practices and systems to support legislative compliance.</p>	6.3 6.1 6.3 6.4
C.3	Breach Identification and Reporting Manual (SM4900)	To provide work instruction/ guide detailing Evoenergy's approach to breach identification and reporting requirements under the Guideline.	6.1 6.2 6.3 6.4
C.4	Incident Management Manual	Documents the process for all incident management within ActewAGL and Evoenergy	6.3



**Evoenergy**  
**Australian Energy Regulator**  
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 Evoenergy and Deloitte dated 3 September 2019 as the qualified independent authority to provide reasonable assurance that Evoenergy'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*.

Management responses to the observations and recommendations are included in the Appendix. These do not form part of our report and therefore we do not express an opinion on these.

No.	Guidance Obligation	Results of Testing	Recommendations	Rating	Material Breach
2	3.1 (b)  A DNSP may provide distribution services and transmission services, but <b>must not provide other services.</b>	Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below: <ul style="list-style-type: none"><li>Under the AER Ring-Fencing Annual 2017 - 2018 Compliance report, AER suggest that procurement personnel have access to confidential information during tenders and that these staff have an opportunity to discriminate in favour of the affiliate using electricity information in their possession. Across the audit period Evoenergy continued to share procurement personnel with their affiliate.</li></ul>	To address the results of testing we recommend: <ul style="list-style-type: none"><li>Evoenergy discuss the use of shared corporate personnel with the AER to ensure the AER are satisfied that Evoenergy are not in conflict with the Guideline.</li></ul>	Exception.	No.



No.	Guidance Obligation	Results of Testing	Recommendations	Rating	Material Breach
7	<p>4.2.1(a)</p> <p>A DNSP <b>must use offices that are separate from any offices from which a related electricity service provider</b> provides contestable electricity services.</p>	<p>Based on the control testing performed we have identified a matter of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>• While Evoenergy has a procedure in place to instruct the business their responsibilities for the transferring of seconded staff, Evoenergy does not have a program in place to ensure that the outgoing and receiving managers are monitoring temporary transfer staff (seconded) in accordance with the policy and procedure.</li> <li>• Evoenergy has advised that as of 8 July 2019 all seconded arrangements have ceased. This means staff no longer transfer from Evoenergy to the CBU – if they are moved, they are permanently moved and an employment contract is issued as per the standard recruitment and selection process. However current employment letters between Evoenergy and transferee are labelled as “Temporary Transfer to Contestable Business Unit”.</li> </ul>	<p>To address the results of the testing we recommend:</p> <ul style="list-style-type: none"> <li>• For instances where personnel are shared or seconded across CBU and other associated affiliated entities, management develops a procedure to monitor adherence to the transfer of secondees from Evoenergy to Contestable Business Unit (CBU) particularly in those instances employees are seconded or shared for a long period of time between Evoenergy and the affiliated entity.</li> </ul>	Exception.	No.
11	<p>4.2.4 (a), (b)</p> <p>A DNSP <b>must establish, maintain and keep a register</b> that identifies:  (a) the <b>classes of offices</b> to which it has not applied; and  (b) the <b>nature of the positions (including a description of the roles, functions and duties) of its members of staff</b> and must make the register publicly available on its website.</p>	<p>Based on the control testing performed we have identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>• The nature of the positions included in the Staff Sharing Register were not linked to actual secondments carried out over the audit period.</li> <li>• The secondment register provided by Evoenergy did not clearly outline the roles of the staff members who were seconded across the business. This made it difficult to confirm if seconded staff were subject to staff sharing.</li> </ul>	<p>To address the results of the testing we recommend:</p> <ul style="list-style-type: none"> <li>• For instances where personnel are shared or seconded, management should allocate responsibility of the upkeep and maintenance of the Staff Sharing Register and Secondment Register to a dedicated Team or individual who would in return, undertake spot checks across the business to ensure all secondments are captured within the relevant registers and it clearly outlines the role of the staff members.</li> </ul>	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 Directors of Evoenergy

### **Opinion**

We have undertaken a reasonable assurance engagement on whether Evoenergy'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 Evoenergy 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 Directors of Evoenergy**

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.



### ***Assurance Practitioner's Responsibilities***

Our responsibility is to express an opinion on whether Evoenergy'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 Evoenergy'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 Evoenergy'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 Evoenergy personnel about controls are in place to allow Evoenergy 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 Directors of Evoenergy 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 Evoenergy, 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.



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', with a large, stylized initial 'A'.

**Angela Jaric**

Partner

**30 October 2019, Melbourne**

### 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 <b>must be a legal entity.</b>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Evoenergy Registered Australian Company Number (ACN).</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We performed an ASIC search on Evoenergy using the ACNs contained in the distributor's license to establish it is a separate legal entity.</li> <li>We assessed all current website material to establish it reflected the ABN.</li> </ul>	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 <b>must not provide other services.</b>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Classification of Services Flowchart.</li> <li>Ring-Fencing training.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected the Classification of Services Flowchart to determine whether the DNSP is able to classify the services it is permitted and not permitted to provide.</li> <li>We inspected the training materials to determine whether they contained content that communicates Ring-Fencing obligations as per the Guideline.</li> <li>We inspected the Ring-Fencing training register to determine if required</li> </ul>	<p>Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>Under the AER Ring-Fencing Annual 2017 -2018 Compliance report, AER suggest that procurement personnel have access to confidential information during tenders and that these staff have an opportunity to discriminate in favour of the affiliate using electricity information in their possession. Across the audit period Evoenergy continued to share procurement personnel with their affiliate.</li> </ul>	<p>To address the results of testing we recommend:</p> <ul style="list-style-type: none"> <li>Evoenergy discuss the use of shared corporate personnel with the AER to ensure the AER are satisfied that Evoenergy are not in conflict with the Guideline.</li> </ul>	Exception.



No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				employees have completed Ring-Fencing training.			
3	Separate accounts	3.2.1 (a)	A DNSP <b>must establish and maintain appropriate internal accounting procedures</b> to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities.	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Monthly business performance reports of financial performance against budget targets for the current month and year to date for the electricity and gas networks businesses.</li> <li>Evoenergy allocation methodology (CAM: AER Decision - ActewAGL Distribution (Evoenergy) Cost Allocation Method.</li> <li>Intercompany and Related Accounting Policy.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected a sample of 6 business performance reports across the audit period to determine if the accounting treatment of Evoenergy and CBU are in line with the internal accounting process and the requirements of the Guideline.</li> <li>We inspected the CAM to determine whether it addresses the allocation of costs between distribution services and non-distribution services.</li> <li>We inspected the Intercompany and Related Accounting Policy to determine whether it supports the DNSP's ability to report on all related-party transactions with its affiliated entities.</li> </ul>	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
4	Cost allocation and attribution	3.2.2 (a), (b)	<p>A DNSP <b>must allocate or attribute costs to distribution services:</b></p> <ul style="list-style-type: none"> <li>- in a manner that is <b>consistent with the Cost Allocation Principles and its approved CAM</b>, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services.</li> <li>- and must not allocate or <b>attribute other costs to the distribution services</b> it provides.</li> </ul>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>• Monthly business performance reports of financial performance against budget targets for the current month and year to date for the electricity and gas networks businesses.</li> <li>• Evoenergy allocation methodology (CAM: AER Decision - ActewAGL Distribution (Evoenergy) Cost Allocation Method.</li> <li>• Intercompany and Related Accounting Policy.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>• We inspected a sample of 6 business performance reports across the audit period to determine if the accounting treatment of Evoenergy and CBU are in line with the internal accounting process and the requirements of the Guideline.</li> <li>• We inspected the CAM, to determine if it addresses allocation and attribution of costs between distribution services and non-distribution services.</li> <li>• We inspected "AER decision – Evoenergy – Cost allocation method – October 2018" available from the AER's website to verify that Evoenergy's existing CAM was approved by the AER.</li> <li>• We inspected the process undertaken by the finance team to allocate and attribute costs to distribution services, to determine if it is aligned with the existing CAM.</li> </ul>	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"> <li>We have inspected the cost allocation that is used to allocate the indirect costs pool which were incurred in the process of developing the capital asset to determine if it addresses the allocation of costs against Evoenergy and the affiliate respectively.</li> </ul>			
5	Cost allocation and attribution	3.2.2 (c)	A DNSP <b>must establish, maintain and keep records</b> that demonstrate how it meets cost allocation and attribution Obligations.	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Monthly business performance reports of financial performance against budget targets for the current month and year to date for the electricity and gas networks businesses.</li> <li>Evoenergy allocation methodology (CAM: AER Decision - ActewAGL Distribution (Evoenergy). Cost Allocation Method</li> <li>Intercompany and Related Accounting Policy.</li> <li>Evoenergy company codes in Oracle to allow accurate allocations of Direct costs and Indirect costs.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected a sample of 6 business performance reports across the audit period to determine if the accounting treatment of Evoenergy and CBU are in line with the internal accounting process and the requirements of the Guideline.</li> <li>We inspected "AER decision – Evoenergy – Cost allocation method – October 2018" available from the AER's website to verify that</li> </ul>	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>Evoenergy's existing CAM was approved by the AER.</p> <ul style="list-style-type: none"> <li>We inspected the process undertaken by the finance team to allocate and attribute costs to distribution services, to determine if it is aligned with the existing CAM.</li> <li>We have inspected the cost allocation that is used to allocate the indirect costs pool which were incurred in the process of developing the capital asset to determine if it addresses the allocation of costs against Evoenergy and the affiliate respectively.</li> </ul>			
6	Obligation not to discriminate	4.1(b)	<p><b>A DNSP must not discriminate</b> (either directly or indirectly) <b>between a related electricity service provider and a competitor</b> (or potential competitor) of a related electricity service provider in connection with the provision of:</p> <p>i. <b>direct control services by the DNSP</b> (whether to itself or to any other legal entity); and / or</p> <p>ii. <b>contestable electricity services</b> by any other legal entity.</p>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Corporate Procedure Ring-Fencing.</li> <li>Ring-Fencing Staff Information Manual (Manual).</li> <li>A new Ring-Fencing enquiry mailbox administered by the Regulatory Team.</li> <li>Online training modules that highlight the 'golden rules' of Ring-Fencing.</li> <li>A Ring-Fencing fact sheet is provided to new employees and employees who change roles within Evoenergy.</li> <li>Procurement Management Manual – Phase 2 Sourcing and Selection (SM5022).</li> <li>Obligation to Not Discriminate Flowchart.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected the Corporate Procedure Ring-Fencing and the Ring-Fencing Staff Information Manual (Manual) to determine whether it</li> </ul>	<p>Based on the control testing performed we have not identified a matter of exception, however, we have identified matters of improvement against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>Whilst Evoenergy has in its procurement contracts Ring-Fencing terms and conditions there is no consideration of Ring-Fencing in its Procurement and Evaluation Plan.</li> <li>Management consider and subsequently amend its Procurement and Evaluation Plan to include Ring-Fencing considerations in the Procurement Overview section.</li> </ul>	There are no recommendations.	No Exception.



No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>includes the obligation for a DNSP not to discriminate between a related electricity service provider and a competitor.</p> <ul style="list-style-type: none"> <li>• We inspected a sample of 5 inbound email enquiries (and associated responses) to the Ring-Fencing enquiry email inbox for the period 1 July 2018 to 30 June 2019 to determine whether discriminatory behaviour between a RESP and a competitor was identified and/or reported by the enquiries.</li> <li>• We inspected training materials to determine whether they contained content that communicates Ring-Fencing obligations as per the Guideline.</li> <li>• We inspected the Ring-Fencing training register to determine if required employees have completed Ring-Fencing training.</li> <li>• We inspected the Ring-Fencing fact sheet provided to new employees and employees who have changed roles to determine whether they addressed Ring-Fencing obligations in relation to the requirement to not discriminate.</li> <li>• We inspected a sample of 3 team leader emails for the period of 1 July 2018 to 30 June 2019 to determine whether communication of Ring-Fencing Guidelines (and supporting procedures) to contact centre staff members occurred, and particularly in</li> </ul>			

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>relation to obligation to not discriminate.</p> <ul style="list-style-type: none"> <li>We inspected the Procurement Management Manual – Phase 2 Sourcing and Selection (SM5022) to determine whether it provides guidance to the Ring-Fencing obligation to not discriminate service providers that compete with the DNSP’s affiliates.</li> <li>From the contracts supplied we inspected a sample of 2 contracts executed during the audit period to determine whether there are Ring-Fencing terms and conditions advising the obligations under the Guideline.</li> </ul>			
7	Offices, staff, branding and promotions	4.2.1(a)	A DNSP <b>must use offices that are separate from any offices from which a related electricity service provider</b> provides contestable electricity services.	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Security Pass and ID Card Procedure (PR4635) was developed and communicated in FY18-19 to ensure that Evoenergy staff cannot access areas where staff provide contestable electricity services.</li> <li>Physical Separation and Staff Sharing- flowchart.</li> <li>The Corporate Facilities team reviews facility access on a monthly basis, and provide a Cardholder/Activity Report “Monthly CBU Ring-Fencing Report”.</li> <li>Physical access controls in place include individual swipe cards for access and access logs.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected the Security Pass and ID Card Procedure</li> </ul>	<p>Based on the control testing performed we have identified a matter of exception, with key point(s) below:</p> <ul style="list-style-type: none"> <li>While Evoenergy has a procedure in place to instruct the business their responsibilities for the transferring of seconded staff, Evoenergy does not have a program in place to ensure that the outgoing and receiving managers are monitoring temporary transfer staff (secondes) in accordance with the policy and procedure.</li> <li>Evoenergy has advised that as of 8 July 2019 all secondee arrangements have ceased. This means staff no longer transfer from Evoenergy to the CBU – if they are moved, they are</li> </ul>	<p>To address the results of the testing we recommend:</p> <ul style="list-style-type: none"> <li>For instances where personnel are shared or seconded across CBU and other associated affiliated entities, management develops a procedure to monitor adherence to the transfer of secondees from Evoenergy to Contestable Business Unit (CBU) particularly in those instances employees are seconded or shared for a long period of time between Evoenergy and the affiliated entity</li> </ul>	Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>PR4635 manual to determine whether it described areas staff cannot access where staff provide contestable electricity services.</p> <ul style="list-style-type: none"> <li>We inspected the Physical Separation and Staff Sharing flowchart to determine whether it guides staff through the requirements for DNSP staff to must use offices that are separate from any offices from which a related electricity service provider provides contestable electricity services.</li> <li>For the 5 staff seconded over the audit period we inspected their physical access records across Evoenergy and the affiliate offices to determine whether they were restricted from entering secure floors or offices across Evoenergy's offices whilst on secondment at the affiliate.</li> </ul>	<p>permanently moved and an employment contract is issued as per the standard recruitment and selection process. However current employment letters between Evoenergy and transferee are labelled as "Temporary Transfer to Contestable Business Unit".</p>		
8	Staff sharing	4.2.2(a)	<p>A DNSP <b>must ensure that its staff involved in the provision or marketing of direct control services</b> are not also involved in the provision or marketing of contestable electricity services by a related electricity service provider.</p>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Staff Register via a publicly available website identifying the nature of positions (including description of the roles, functions and duties) of its members of staff, to which staff involved in the provision or marketing of direct control services are involved in the provision or marketing of contestable electricity services by a related electricity service provider.</li> <li>Staff are located in offices based on role and Ring-</li> </ul>	<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
				<p>Fencing physical separation based on DNSP/RESP roles.</p> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected the Evoenergy customer-facing website to determine whether a Staff Register was available.</li> <li>We inspected the Staff Register to determine whether the nature of positions (including description of the roles, functions and duties) of its members of staff, to which staff involved in the provision or marketing of direct control services are involved in the provision or marketing of contestable electricity services by a related electricity service provider.</li> <li>We inspected the building access records of 2 of the 5 seconded staff for the period 1 July 2018 and 30 June 2019 to determine whether there was no unauthorised access between buildings.</li> </ul>			
9	Staff sharing	4.2.2(c)	The remuneration, incentives and other benefits (financial or otherwise) a DNSP provides to a member of its staff <b>must not give the member of staff an incentive to act in manner that is contrary to the DNSP's Obligations</b> under this Guideline.	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Documents advising remuneration, incentives and benefits provided to staff.</li> <li>Key policies related to remuneration arrangements.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected a sample of 5 seconded employee contracts to determine whether remuneration incentives and other benefits provided to the DNSP's staff do not give the staff member an incentive to</li> </ul>	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>act in a manner that is contrary to the guidelines.</p> <ul style="list-style-type: none"> <li>We enquired with the HR Manager what incentives are provided to seconded staff to determine whether remuneration incentives and other benefits provided to staff give staff an incentive to act in manner that is contrary to the Obligations under the Guideline.</li> </ul>			
10	Branding and cross-promotion	4.2.3(a)	<p>A DNSP:</p> <p>i. <b>must use branding for its direct control services</b> 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 electricity service provider are related.</p> <p>ii. <b>must not advertise or promote its direct control services and its contestable electricity services</b> that are not direct control services together (including</p>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>AAD has Branding and Cross-Promotion Flowchart.</li> <li>Customer complaints.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected the Branding and Cross-Promotion Flowchart to determine whether it guides employees to be compliant with: <ul style="list-style-type: none"> <li>using 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 electricity service provider are related;</li> <li>must not advertise or promote its direct control services and</li> </ul> </li> </ul>	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>by way of cross-advertisement or cross-promotion.</p> <p>ii. <b>must not advertise or promote contestable electricity services</b> provided by a related electricity service provider other than the DNSP itself.</p>	<p>its contestable electricity services that are not direct control services together (including by way of cross-advertisement or cross-promotion, and;</p> <ul style="list-style-type: none"> <li>o must not advertise or promote contestable electricity services provided by a related electricity service provider other than the DNSP itself.</li> </ul> <ul style="list-style-type: none"> <li>• We inspected a sample of 5 customer complaints for the period of 1 July 2018 to 30 June 2019 to determine whether there were any complaints made based on brand confusion or misleading brand identification.</li> </ul>			
11	Office and staff registers	4.2.4 (a), (b)	<p>A DNSP <b>must establish, maintain and keep a register</b> that identifies:</p> <p>(a) the <b>classes of offices</b> to which it has not applied; and</p> <p>(b) the <b>nature of the positions (including a description of the roles, functions and duties) of its members of staff</b> and must make the register publicly</p>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>• Office Register and Staff Registers.</li> <li>• System access records.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>• We inspected the Office Register and Staff Register to determine whether Evoenergy has established, maintained and kept a register that identifies: <ul style="list-style-type: none"> <li>o (a) the classes of offices to which it has not applied; and</li> <li>o (b) the nature of the positions (including a description of the roles, functions and</li> </ul> </li> </ul>	<p>Based on the control testing performed we have identified matters of exception, with key point(s) below:</p> <ul style="list-style-type: none"> <li>• The nature of the positions included in the Staff Register were not linked to actual secondments carried out over the audit period.</li> <li>• The Staff Register provided by Evoenergy did not clearly outline the roles of the staff members who were seconded across the business. This made it difficult to confirm if seconded staff were subject to staff sharing.</li> </ul>	<p>To address the results of the testing we recommend:</p> <ul style="list-style-type: none"> <li>• For instances where personnel are shared or seconded, management should allocate responsibility of the upkeep and maintenance of the Staff Sharing Register and Secondment Register to a dedicated Team or individual who would in return, undertake spot checks across the business to ensure all secondments are captured within the relevant registers and it clearly outlines the role of the staff members.</li> </ul>	Exception.



No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			available on its website.	<p>duties) of its members of staff and must make the register publicly available on its website.</p> <ul style="list-style-type: none"> <li>We inspected Evoenergy's customer-facing website to determine the currency and completeness of the registers that were inspected.</li> <li>For all staff seconded over the audit period we inspected their system access records across Evoenergy and the affiliate to determine whether they were not accessing secure information across Evoenergy whilst on secondment at the affiliate.</li> </ul>			
12	Protection of confidential information	4.3.2 (a) (b)	A DNSP <b>must:</b> <b>(a) keep confidential electricity confidential confidential</b> <b>(b) only use confidential information for the purpose for which it was acquired or generated</b>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Confidential Information Flowchart.</li> <li>Information Sharing Protocol available on Evoenergy's customer-facing website.</li> <li>Ring-Fencing Staff Information Manual (Manual).</li> <li>Staff training with online training modules.</li> <li>Audit of CBU staff access to AAD systems.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected the Confidential Information Flowchart to determine whether it provides assistance in identifying electricity information and confidential information.</li> <li>We inspected Evoenergy's customer-facing website to</li> </ul>	<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"> <li>Periodically test employee system access to ensure DNSP and related electricity service providers cannot access systems which contain Ring-Fenced confidential/sensitive information.</li> </ul>	There are no recommendations.	No Exception.

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>determine whether its Information Sharing Protocol was available for download.</p> <ul style="list-style-type: none"> <li>• We inspected the Information Sharing Protocol to determine whether that sets out how and when Evoenergy will make confidential information available to RESPs and other legal entities on an equal basis.</li> <li>• We inspected the Ring-Fencing Staff Information Manual to determine whether it includes the obligation for a DNSP keep confidential information confidential and to only use confidential information for the purpose for which it was acquired or generated.</li> <li>• We inspected training materials to determine whether they outline Ring-Fencing obligations as per the Guideline.</li> <li>• We inspected the Ring-Fencing training register to determine whether required employees have completed Ring-Fencing training.</li> <li>• We inspected Evoenergy's Privacy Policy to determine whether that it sets out that confidential information is kept confidential, and that confidential information is only used for the purpose for which it was acquired or generated.</li> <li>• We inspected the system access records of a sample of 2 of the 5 seconded staff for the period of 1 July 2018 to 30 June 2019 to determine whether there was any access to unauthorised</li> </ul>			

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
				<p>information whilst on secondment.</p> <ul style="list-style-type: none"> <li>We inspected the CBU Permission Groups to determine the systems CBU staff had access to.</li> </ul>			
13	Disclosure of information	4.3.3 (a)-(g)	<p>A DNSP <b>must not disclose confidential information to any person</b>, including a related electricity service provider, unless:</p> <p>(a) the DNSP has first <b>obtained the explicit informed consent</b> of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the <b>disclosure is required by</b>, or for the purpose of complying with <b>any law</b>;</p> <p>(c) the <b>disclosure is necessary to enable the DNSP to provide its distribution services</b>, its transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(d) the <b>information has been requested by or on behalf of a customer</b>, or potential customer, of</p>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Information Sharing Protocol available on Evoenergy's customer-facing website.</li> <li>Information Register publicly available on Evoenergy's customer-facing website.</li> <li>Information Request Form.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected Evoenergy's customer-facing website to determine whether its Information Sharing Protocol was available for download.</li> <li>We inspected the Information Sharing Protocol to determine whether it sets out how and when it will make confidential information available to RESPs and other legal entities on an equal basis.</li> <li>We inspected Evoenergy's customer-facing website to determine whether its Information Register was available for download.</li> <li>We inspected the Information Register to determine whether it published all valid requests for access to confidential information (including the kind of information requested and their description) made by RESPs and other legal entities who provide</li> </ul>	<p>Based on the control testing performed we have not identified a matter 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"> <li>Management should consider that Information Register should include version control and/or a "last updated" date to denote the currency of the information in the registers. This will ensure consistency with the management of its other registers.</li> </ul>	There are no recommendations.	No Exception.



No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			<p>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 <b>disclosure is solely for the purpose of providing assistance to another Network Service Provider</b> in response to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control;</p> <p>(f) the <b>disclosure is solely for the purposes of research by a legal entity</b> other than a related electricity service provider of the DNSP</p> <p>(g) a <b>related electricity service provider of the DNSP has requested the disclosure</b> and the DNSP complies with clause 4.3.4 in relation to that</p>	<p>contestable electricity services</p> <ul style="list-style-type: none"> <li>• We inspected the Information Request Form to determine whether it is accessible from Evoenergy's customer-facing website and incorporates appropriate data capture fields that provide compliance with the obligation.</li> <li>• For all staff seconded over the audit period we inspected their system access records across Evoenergy and the affiliate to determine whether they were not accessing secure information across Evoenergy whilst on secondment at the affiliate.</li> </ul>			

No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
			confidential information.				
14	Information register	4.3.5 (a) - (c)	<p>(a) A DNSP <b>must establish, maintain and keep a register</b> of all:</p> <p>i. related electricity service providers;</p> <p>ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP;</p> <p>who request access to information identified in clause 4.3.4(a), and must make the register publicly available on its website.</p> <p>(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:</p> <p>i. identify the kind of information requested by the legal entity; and</p> <p>ii. describe the kind of information requested by the legal entity in sufficient detail to enable other legal</p>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Information Sharing Protocol available on Evoenergy's customer-facing website.</li> <li>Information Register publicly available on Evoenergy's customer-facing website.</li> <li>Information Request Form.</li> <li>Register Inclusion Form.</li> <li>CBU Permissions spreadsheet.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected Evoenergy's customer-facing website to determine whether its Information Sharing Protocol was available for download.</li> <li>We inspected the Information Sharing Protocol to determine whether it sets out how and when it will make confidential information available to RESPs and other legal entities on an equal basis.</li> <li>We inspected Evoenergy's customer-facing website to determine whether its Information Register was available for download.</li> <li>We inspected the Information Register to determine whether it published all valid requests for access to confidential information (including the kind of information requested and their description) made by RESPs and other legal entities who provide</li> </ul>	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>entities to make an informed decision about whether to request that kind of information from the DNSP.</p> <p>(c) <b>A legal entity may request that the DNSP</b> 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>	<p>contestable electricity services.</p> <ul style="list-style-type: none"> <li>We inspected a CBU Permissions document which outlines the information that CBU personnel have access to.</li> </ul>			
15	Conduct of service providers	4.4.1 (a)	<p>A DNSP: (a) <b>must ensure that any new or varied agreement between</b> 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</p>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Ring-Fencing Fact Sheet for Evoenergy Service Providers.</li> <li>Conduct of Service Providers Flowchart.</li> <li>Procurement Management Manual – Phase 2 Sourcing and Selection (SM5022).</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected the Ring-Fencing Fact Sheet for Evoenergy Service Providers to determine whether it provides Ring-Fencing guidance for Evoenergy Service Providers against the obligation in the guidelines.</li> <li>We inspected the Conduct of Service Providers Flowchart to determine whether it provides Ring-Fencing guidance for Evoenergy</li> </ul>	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
			DNSP; as if the service provider was the DNSP.	<p>Service Providers against the obligation in the guidelines.</p> <ul style="list-style-type: none"> <li>We inspected the Procurement Management Manual – Phase 2 Sourcing and Selection (SM5022) to determine whether it outlines the Ring-Fencing obligation to not discriminate that competes with the DNSP’s affiliates.</li> </ul>			
16	Conduct of service providers	4.4.1 (b)	<p>A DNSP: (b) <b>must not, directly or indirectly, encourage or incentivise</b> 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>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Ring-Fencing Fact Sheet for Evoenergy Service Providers.</li> <li>Conduct of Service Providers Flowchart.</li> <li>Procurement Management Manual – Phase 2 Sourcing and Selection (SM5022).</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected the Ring-Fencing Fact Sheet for Evoenergy Service Providers to determine whether it provides Ring-Fencing guidance for Evoenergy Service Providers against the obligation in the guidelines.</li> <li>We inspected the Conduct of Service Providers Flowchart to determine whether it provides Ring-Fencing guidance for Evoenergy Service Providers against the obligation in the guidelines.</li> <li>We inspected a sample of 3 contracts across the audit period to determine whether there are Ring-Fencing terms and conditions advising the obligations under the Guideline.</li> </ul>	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
17	The AER will not grant a waiver of an Obligation under this Guideline other than in accordance with this clause 5	5.2 (a) - (h)	A DNSP <b>may apply in writing to the AER for a waiver.</b> An application for a waiver must contain all information and materials necessary to support the DNSP's application, including: (a) the <b>Obligation in respect</b> of which the DNSP is applying for a waiver; (b) the <b>reasons why</b> the DNSP is applying for the waiver; (c) <b>details of the service, or services,</b> in relation to which the DNSP is applying for the waiver; (d) the <b>proposed commencement date and expiry date</b> (if any) of the waiver and the reasons for those dates; (e) <b>details of the costs associated with the DNSP</b> complying with the Obligation if the waiver of the Obligation were refused; (f) the <b>regulatory control period(s)</b> to which the waiver would apply;	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Ring-Fencing Waivers register and associated communication with the AER.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected Evoenergy's customer-facing website and sighted that the waiver register was publicly available.</li> <li>The register was inspected to determine whether all required detail was included, with any exceptions noted.</li> <li>We inspected Evoenergy's waiver application to determine whether required detail was included, with any exceptions noted.</li> <li>We inspected the AER's written response to Evoenergy's waiver application to determine whether the waiver request was approved and, if so, the expiry date of the waiver.</li> </ul>	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>(g) any <b>additional measures the DNSP proposes to undertake</b> if the waiver were granted; and  (h) the <b>reasons why the DNSP considers the waiver should be granted</b> 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 <b>must establish, maintain and keep a register of all waivers</b> (including any variation of a waiver) and must make the register publicly available on its website.</p>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Ring-Fencing register – Waivers.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected Evoenergy’s customer-facing website and sighted that the waiver register was publicly available.</li> <li>The register was then inspected to determine whether all required detail was included, with any exceptions noted.</li> <li>We inspected the processes and procedures for maintaining and keeping the register to determine whether the register is maintained to ensure compliance with the obligation.</li> </ul>	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
19	Waiver register	5.7 (b)	The register established under clause 5.7(a) <b>must include:</b> <b>i. the description of the conduct</b> to which the waiver or interim waiver applies; and <b>ii. the terms and conditions of the waiver or interim waiver;</b> 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.	<b>Control(s):</b> <ul style="list-style-type: none"> <li>Evoenergy Ring-Fencing Waivers.</li> </ul> <b>Tests Performed:</b> <ul style="list-style-type: none"> <li>We inspected Evoenergy's customer-facing website and sighted that the waiver register was publicly available.</li> <li>The register was then inspected as to whether all appropriate detail was included.</li> <li>We inspected the processes and procedures for maintaining and keeping the register to determine whether the register is maintained to ensure compliance with the obligation.</li> </ul>	Based on the control testing performed we have not identified any matters of exception.	There are no recommendations.	No Exception.
20	Maintaining compliance	6.1	A DNSP <b>must establish and maintain appropriate internal procedures to ensure it complies with its Obligations under this Guideline.</b>	<b>Control(s):</b> <ul style="list-style-type: none"> <li>Compliance Management Manual.</li> <li>Breach Identification and Reporting Manual.</li> <li>Incident Management Manual.</li> <li>Maintaining a Ring-Fencing enquiry mailbox so staff can raise queries and compliance issues during the year.</li> </ul> <b>Tests Performed:</b> <ul style="list-style-type: none"> <li>We inspected the Legal Compliance Process to determine whether it supports the capturing of new and amended legislation relevant to Evoenergy's operations within the Evoenergy compliance management database</li> </ul>	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>(CMO), including the required monitoring of operational compliance against obligations.</p> <ul style="list-style-type: none"> <li>• We inspected the Compliance Management Manual to determine whether it provides the business with tools and knowledge of practices and systems to support legislative compliance.</li> <li>• We inspected the Breach Identification and Reporting Manual to determine whether it provides work instruction/ guide detailing Evoenergy's approach to breach identification and reporting requirements under the Guideline.</li> <li>• We inspected the Incident Management Manual to determine whether it Documents the process for all incident management within Evoenergy.</li> <li>• We inspected a sample of 5 inbound email enquiries (and associated responses) to the Ring-Fencing enquiry email inbox for the period 1 January 2019 to 30 June 2019 to determine whether staff were provided with the correct advice to support compliance with the Ring-Fencing obligations.</li> <li>• We inspected the policies and procedures in place to determine whether Evoenergy has the appropriate mechanisms in place to comply with the Guideline.</li> </ul>			



No.	Category	Ref.	Guideline Obligation	Controls and Testing	Results of Testing	Recommendation	Rating
21	Annual compliance report	6.2.1 (a), (b) (c)	<p>A DNSP <b>must prepare an annual ring--fencing compliance report each regulatory year.</b></p> <p><b>The annual compliance report must identify and describe,</b> in respect of the regulatory year to which the report relates:</p> <p>i. <b>the measures the DNSP has taken</b> to ensure compliance with its Obligations under this Guideline;</p> <p>ii. <b>any breaches of this Guideline by the DNSP,</b> or which otherwise relate to the DNSP; and</p> <p>iii. <b>all other services provided by the DNSP</b> in accordance with clause 3.1; and</p> <p>iv. <b>the purpose of all transactions between the DNSP and an affiliated entity.</b></p> <p>The <b>annual compliance report must be accompanied by an assessment of compliance</b> by a</p>	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Compliance Management Manual.</li> <li>Breach Identification and Reporting Manual.</li> <li>Incident Management Manual.</li> <li>Annual compliance report for the period from 1 July 2018 to 30 June 2019.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected the Legal Compliance Process to determine whether it supports the capturing of new and amended legislation relevant to Evoenergy's operations within the Evoenergy compliance management database (CMO), including the required monitoring of operational compliance against obligations.</li> <li>We inspected the Compliance Management Manual to determine whether it provides the business with tools and knowledge of practices and systems to support legislative compliance.</li> <li>We inspected the Breach Identification and Reporting Manual to determine whether it provides work instruction/ guide detailing Evoenergy's approach to breach identification and reporting requirements under the Guideline.</li> <li>We inspected the Incident Management Manual to determine whether it Documents the process for all</li> </ul>	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
			suitably qualified independent authority.	<p>incident management within ActewAGL and Evoenergy</p> <ul style="list-style-type: none"> <li>We inspected Evoenergy's Annual compliance report for the period from 1 July 2018 to 30 June 2019 to determine whether completeness and compliance against the obligations under the Guidelines.</li> </ul>			
22	Compliance breaches	6.3	A DNSP must <b>notify the AER in writing within 5 (five) business days of becoming aware of a material breach of its Obligations</b> under this Guideline.	<p><b>Control(s):</b></p> <ul style="list-style-type: none"> <li>Compliance Management Manual.</li> <li>Breach Identification and Reporting Manual.</li> <li>Breach Management and reporting policies and procedures.</li> <li>Incident Management Manual.</li> </ul> <p><b>Tests Performed:</b></p> <ul style="list-style-type: none"> <li>We inspected the Legal Compliance Process to validate it supports the capturing of new and amended legislation relevant to Evoenergy's operations within the Evoenergy compliance management database (CMO), including the required monitoring of operational compliance against obligations.</li> <li>We inspected the Compliance Management Manual to confirm that it provides business with tools and knowledge of practices and systems to support legislative compliance.</li> <li>We inspected the Breach Identification and Reporting Manual to determine whether it provides work instruction/</li> </ul>	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>guide detailing Evoenergy's approach to breach identification and reporting requirements under the Guideline.</p> <ul style="list-style-type: none"> <li>We inspected the Incident Management Manual to determine whether it documents the process for all incident management within Evoenergy.</li> </ul>			

**Management Response(s)**

The following table provides management response(s) against each identified exception. Management’s responses are not within the scope of our assurance report.

No.	Category	Ref.	Guidance Obligation	Results of Testing	Rating	Material Breach	Management Comment
2	Legal separation	3.1 (b)	A DNSP may provide distribution services and transmission services, but <b>must not provide other services.</b>	<p>Based on the control testing performed we identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>Under the AER Ring-Fencing Annual 2017 -2018 Compliance report, AER suggest that procurement personnel have access to confidential information during tenders and that these staff have an opportunity to discriminate in favour of the affiliate using electricity information in their possession. Across the audit period Evoenergy continued to share procurement personnel with their affiliate.</li> </ul> <p>To address the results of testing we recommend:</p> <ul style="list-style-type: none"> <li>Evoenergy discuss the use of shared corporate personnel with the AER to ensure the AER are satisfied that Evoenergy are not in conflict with the Guideline.</li> </ul>	Exception.	No.	<p>Since late June 2019, Evoenergy has had a dedicated procurement team that works under a ‘federated model’ as part of the Corporate Procurement Team.</p> <p>Hard controls in place since that time include:</p> <ul style="list-style-type: none"> <li>CBU having to contract an independent external third party to undertake any procurement activity (ie: CBU cannot utilise the corporate procurement resources team).</li> <li>AAR having their own dedicated procurement resource that reports to AAR commercial manager rather than the corporate/Evoenergy procurement team (ie: AAR cannot utilise the corporate procurement resources team).</li> <li>CBU and AAR procurement staff not having access to Evoenergy procurement system/information.</li> </ul>
7	Offices, staff, branding and promotions	4.2.1(a)	A DNSP <b>must use offices that are separate from any offices from which a related electricity service provider</b> provides contestable electricity services.	<p>Based on the control testing performed we have identified a matter of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>While Evoenergy has a procedure in place to instruct the business their responsibilities for the transferring of seconded staff, Evoenergy does not</li> </ul>	Exception.	No.	<p>Since July 2019, all CBU secondee arrangements have ceased such that Evoenergy will no longer transfer staff to CBU. If they move, they are permanently moved and an employment contract is issued as per the standard recruitment and selection process.</p>



No.	Category	Ref.	Guidance Obligation	Results of Testing	Rating	Material Breach	Management Comment
				<p>have a program in place to ensure that the outgoing and receiving managers are monitoring temporary transfer staff (secondees) in accordance with the policy and procedure.</p> <ul style="list-style-type: none"> <li>Evoenergy has advised that as of 8 July 2019 all secondee arrangements have ceased. This means staff no longer transfer from Evoenergy to the CBU – if they are moved, they are permanently moved and an employment contract is issued as per the standard recruitment and selection process. However current employment letters between Evoenergy and transferee are labelled as “Temporary Transfer to Contestable Business Unit”.</li> </ul> <p>To address the results of the testing we recommend:</p> <ul style="list-style-type: none"> <li>For instances where personnel are shared or seconded across CBU and other associated affiliated entities, management develops a procedure to monitor adherence to the transfer of secondees from Evoenergy to Contestable Business Unit (CBU) particularly in those instances employees are seconded or shared for a long period of time between Evoenergy and the affiliated entity.</li> </ul>			While AAD accepts the finding as it applies to FY19, it queries its relevance moving forward.
11	Office and staff registers	4.2.4 (a), (b)	A DNSP <b>must establish, maintain and keep a register</b> that identifies: (a) the <b>classes of offices</b> to which it has not applied; and (b) the <b>nature of the positions (including a description of the roles, functions and duties) of its members of staff</b> and must make the	<p>Based on the control testing performed we have identified matters of exception against the obligation, with key point(s) below:</p> <ul style="list-style-type: none"> <li>The nature of the positions included in the Staff Sharing Register were not linked to actual secondments carried out over the audit period.</li> <li>The secondment register provided by Evoenergy did not clearly outline the roles of the staff members who were</li> </ul>	Exception.	No.	<p>Since July 2019, all CBU secondee arrangements have ceased such that Evoenergy will no longer transfer staff to CBU. If they move, they are permanently moved and an employment contract is issued as per the standard recruitment and selection process.</p> <p>There is one secondment between Evoenergy and AAR that ceases in November 2019.</p>

No.	Category	Ref.	Guidance Obligation	Results of Testing	Rating	Material Breach	Management Comment
			<p>register publicly available on its website.</p>	<p>seconded across the business. This made it difficult to confirm if seconded staff were subject to staff sharing.</p> <p>To address the results of the testing we recommend:</p> <ul style="list-style-type: none"> <li>For instances where personnel are shared or seconded, management should allocate responsibility of the upkeep and maintenance of the Staff Sharing Register and Secondment Register to a dedicated Team or individual who would in return, undertake spot checks across the business to ensure all secondments are captured within the relevant registers and it clearly outlines the role of the staff members.</li> </ul>			<p>While AAD accepts the finding as it applies to FY19, it queries its relevance moving forward.</p>