## Jemena Electricity Networks (Vic) Ltd

**Electricity Ring Fencing Guideline Annual Compliance Report** 

Covering the 2017 Regulatory Year

**Public** 



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Electricity Ring Fencing Guideline Annual Compliance Report

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#### ABBREVIATIONS/DEFINITIONS

AER Australian Energy Regulator
CAM Cost Allocation Methodology

CAP Cost Allocation Principles set out in clause 6.15.2 of the National Electricity

Rules

DNSP Distribution Network Service Provider

EPM Enterprise Process Model

JAM Jemena Asset Management Pty Ltd, the Jemena group entity with primary

responsibility for provision of asset management services to Jemena's networks

businesses, including to JEN

JCARS Jemena's Compliance and Risk System, the system used by Jemena staff to

log and monitor adherence to legal and regulatory obligations

JEN Jemena Electricity Networks (Vic) Ltd (the operating entity for Jemena's

electricity DNSP business)

NER National Electricity Rules

RESP Related Electricity Service Provider (as defined in the RFG)

RFG Electricity Ring Fencing Guideline

SGAPAA SGSP (Australia) Assets Pty Ltd, the ultimate Australian holding company of the

Jemena and Zinfra businesses.

ZNX Pty Ltd, part of the Zinfra group, a business that provides asset

management and other services to utility industry clients, including in relation to

JEN.

#### **OVERVIEW**

On 30 November 2016, the Australian Energy Regulator (**AER**) released it final decision on the Ring Fencing Guideline (**RFG**, **Guideline**). The Guideline was developed as a requirement under Chapter 6, part H of the National Electricity Rules (**NER**) to introduce functional and accounting separation where distribution network service providers (**DNSPs**) provide direct control services and other services or entities affiliated with the DNSP (**affiliated entities**) provide other services. The Guideline is binding on DNSPs.

Under the Guideline, the period from 1 December 2016 to 31 December 2017 is a transition period, during which the DNSPs were required to implement the necessary controls to ensure compliance with the Guideline (**Transition Period**). Full compliance is required by DNSPs no later than 1 January 2018 (**Compliance Date**).

On 17 October 2017, the AER released an update to the Guideline. This is the final version of the Guideline that must be complied with prior to the Compliance Date and is the version on which compliance has been assessed by JEN.

The Guideline requires DNSPs to report compliance against the Guideline each year. This document (**Report**) is Jemena Electricity Networks' (**JEN**) submission against the reporting requirements of the Guideline for the 2017 regulatory year.

Throughout the 2017 regulatory year, JEN has implemented a number of compliance activities. These activities, including some controls, have not been operating for the full 2017 regulatory year. Notwithstanding this, JEN confirms it is in compliance with the Guideline as at 31 December 2017.

JEN does not claim confidentiality over this submission.

#### 1.1 ABOUT THIS REPORT

#### 1.1.1 REPORT STRUCTURE

Section 1 of this Report contains an introduction, background information and JEN's overall compliance statement.

Section 2 of this Report is structured to align with the reporting obligations specified in clauses 6.1 and 6.2 of the Guideline under the following subsections:

- Report subsection 2.1, addresses JEN's response to clause 6.1 establishing and maintaining compliance;
- Report subsection 2.2, addresses JEN's response to clauses 6.2.1(a) and 6.2.2 timing and preparation of annual report;
- Report subsection 2.3, addresses JEN's response to clause 6.2.1(b)i measures taken to ensure compliance;
- Report subsection 2.4, addresses JEN's response to clause 6.2.1(b)ii breaches of this guideline within the reporting year;
- Report subsection 2.5, addresses JEN's response to clause 6.2.1(b)iii all other services provided by JEN; and
- Report subsection 2.6, addresses JEN's response to clause 6.2.1(b)iv purpose of all transactions between JEN and affiliated entities.

The assessment of compliance (by a suitably qualified independent authority) is located in section 3 of this report.

#### 1.2 OVERALL COMPLIANCE STATEMENT

As noted in the Overview section, this Report covers the Transition Period and full compliance with the Guideline is only required from 1 January 2018. Throughout the 2017 regulatory year, JEN has implemented a number of compliance activities as described in Section 2 of this Report. These activities, including some controls, have not been operating for the full 2017 regulatory year. Notwithstanding this, JEN is in compliance with the Guideline as at 31 December 2017.

#### REPORTING DETAILS

#### 2.1 MAINTAINING AND ESTABLISHING COMPLIANCE

#### Guideline requirement

Clause 6.1 of the Guideline obligates DNSPs to maintain and establish appropriate internal procedures to ensure they comply with obligations under the Guideline.

#### Compliance with requirement

JEN's operations are subject to a wide range of legal, regulatory and licence requirements. As such, our business has existing procedures and systems to support JEN to identify, assess, adhere and monitor compliance to its many obligations. Our procedures and systems have been designed in line with AS ISO 19600:2015 Compliance Management systems. In terms of the Guideline, JEN has incorporated its regulatory requirements into existing policies, procedures and systems where practical. Where necessary, new procedures or controls have been developed and implemented.

A key existing procedure and system paramount in maintaining our compliance is the integration of the obligations within Jemena's Compliance and Risk System (**JCARS**). This system houses detail about the obligations, such as the description, instrument reference, its risk rating (as per Jemena's risk matrix), obligation review frequency (as per risk rating) and the responsible person within the business for certifying compliance. Certification requires the responsible person to verify that JEN is compliant with the relevant obligation and continues to be equipped to be compliant in the future. Figure 2-1 has been produced to illustrate how the ring-fencing obligations are monitored for compliance adherence as part of JCARS and ultimately reported to the AER.

Given the importance JEN places on being compliant with its legislative and regulatory requirements, the JCARS procedure and system is established in a manner that distributes reminders to the responsible persons to review their compliance obligations, in advance of a specified due date. If not completed by the due date, the executive leader who holds ultimate accountability for the relevant obligation, will be notified of the non-response (which equates to non-adherence of the obligation).

This escalation path is critical for Jemena and its staff to reinforce the importance of maintaining, monitoring and acknowledging its compliance with obligations. The system and process assists in maintaining awareness and knowledge of the obligations as it creates a trigger to periodically review, without prompt of an obvious event or trigger such as a complaint, system failure or organisational change which would otherwise suggest or indicate a potential non-compliance risk.

This procedure and process is a critical mechanism for JEN to produce and validate its compliance with the Guideline and to subsequently document this Report.

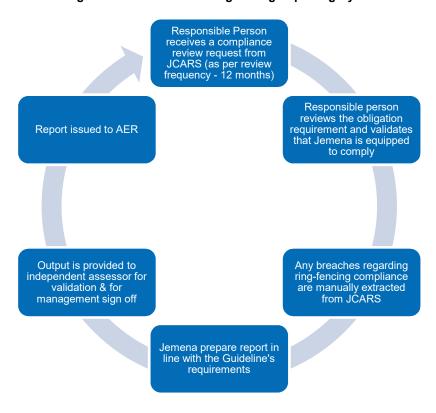


Figure 2-1: AER Annual Ringfencing Reporting Cycle

2.2 REPORTING PERIOD

Clause 6.2.2 of the Guideline requires DNSPs to submit a compliance report to the AER annually, within four months of the end of each regulatory year.

#### Compliance with requirement

JEN has compiled this requirement by submitting this Report, based on data from the regulatory year of **1 January 2017 to 31 December 2017**, by 30 April 2018, noting that *full* compliance with the Guideline is not required until 1 January 2018. Refer to section 1.2 for further discussion on JEN's overall compliance position.

JEN has implemented processes that will require responsible persons within Jemena to complete their compliance responses by January in the year immediately following the reporting year, to allow adequate time for this report to be prepared, validated and assessed by an independent authority during March and April. This will enable JEN to prepare and submit its Report, with due care and skill, in accordance with the Guideline.

#### 2.3 MEASURES TO ENSURE COMPLIANCE

#### Guideline requirement

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

#### Compliance with requirement

Jemena has an internal policy *Compliance with Law* which affirms the company's commitment to compliance with its legal and regulatory obligations. This is achieved through structures and management systems supporting the Jemena group of companies to manage and monitor regulatory requirements, create and maintain a compliance culture, and ensure all officers and staff within the Jemena group, including contractors, are aware of these obligations and act accordingly.

Actions completed in 2017 by Jemena to demonstrate compliance with section 6.2.1(b)i of the Guideline by 31 December 2017 include:

Treatment and Embedment in Compliance Program: As previously discussed in section 2.1 of this
Report, Jemena's JCARS system provides an effective control basis to manage compliance. Through
this system, obligations are assigned to responsible persons, and all responsible persons are required
to complete a compliance review and certification relating to their assigned obligation(s) within
specified timeframes. The output of this management review has been displayed in Appendix A1 and
confirms that the listed controls are in place and effective in demonstrating JEN's compliance to its
electricity ring-fencing obligations.

As the Guideline's obligations are now embedded in the company wide compliance program, the Guideline's obligations will be reviewed periodically (via responsible persons and via assurance activities carried out by Jemena compliance functions), as is the case for all obligations applicable to Jemena, to ensure continued monitoring and compliance.

As a further control, Jemena's Leadership Team (Managing Director and Executive General Managers) receive quarterly reports of compliance activities (which includes reportable breaches), and a status update on Jemena's compliance with obligations is provided to the Audit and Compliance Committee of the Board of JEN's ultimate holding company, SGSP (Australia) Assets Pty Ltd (**SGSPAA**), which in turn reports to the full SGSPAA Board annually. Any non-compliances are reported to the highest level of management and addressed accordingly.

Dedicated project and independent review: The creation, awareness and validation of the control
measures within Jemena's systems was constructed by a dedicated Guideline implementation project
team in conjunction with the relevant business owners.

During the course of the implementation project, Jemena also engaged an independent authority to perform a gap analysis ("gap analysis review") to consider whether the controls identified and developed to achieve compliance would reasonably achieve compliance once implemented and operating effectively. Findings raised by the independent authority during gap analysis review were addressed by JEN in November 2017.

This review has further supported and reflected JEN's commitment to compliance and being able to demonstrate full compliance with the Guideline no later than 1 January 2018. Figure 2-2 illustrates Jemena's pathway to compliance in 2017.

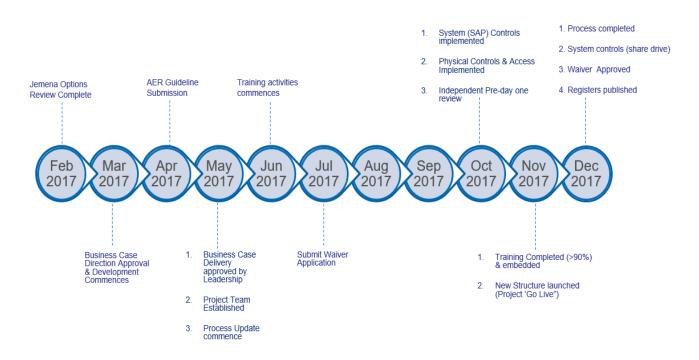


Figure 2-2: 2017 Compliance Pathway

#### 2.4 BREACHES

#### 2.4.1 BREACHES OF REPORTABLE OBLIGATIONS

#### Guideline requirement

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

#### Compliance with requirement

Based on internal monitoring and reporting processes, JEN is of the view that there are no reportable breaches for the 2017 regulatory year, which as noted previously is a Transition Period, with full compliance only required from 1 January 2018.

This Report has been prepared by JEN with all due care and skill and in accordance with the Guideline.

#### 2.5 OTHER SERVICES PROVIDED BY JEN

#### Guideline requirement

Clause 6.2.1(b)iii of the Guideline requires DNSPs to report all other services provided by the DNSP in accordance with clause 3.1 of the Guideline.

#### Compliance with requirement

During the 2017 regulatory year, JEN did not provide any other services.

#### 2.6 TRANSACTION REPORT

#### Guideline requirement

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

#### Compliance with requirement

JEN primarily transacts with Jemena Asset Management Pty Ltd (**JAM**). JAM is the Jemena entity used for procuring and contracting assets and services for Jemena's distribution networks businesses. Transactions between JAM and JEN are captured within projects using Work Breakdown Structures in Jemena's accounting and finance ERP system.

Throughout 2017, JEN also had a limited number of transactions with the following affiliated entities: SGSPAA, Jemena Limited and ZNX Pty Ltd.

Transactions are categorised within Jemena's systems by cost types as either: Labour; Material; Contract; Maintenance Other; Administration; Fleet; Network Overheads; or Corporate Overheads. Further costing details are also summarised in Table 2–1 below.

Table 2-1: Summary details of transactions between JEN and affiliated entities

		-
Affiliated Entity	Cost Type	Transaction Description and Purpose
JAM	Labour	Comprises direct labour time-writing to JEN projects and work activities using Cross Allocation Time Sheets (CATS) in Jemena's SAP system. Direct labour costs includes:  - Wages; - Overtime; - Allowances; - Superannuation and defined benefit plan costs; - Medical charges; - Staff training; - Welfare expenses; - Personnel insurance; - Uniforms & clothing; - Annual, long service, personal and other types of leave; - Payroll tax. Indirect labour costs are recovered as either Network or Corporate Overheads.

Affiliated Entity	Cost Type	Transaction Description and Purpose
JAM	Material	Material comprises costs that are direct: - Direct acquisitions; - Goods issued; and - Other miscellaneous material costs.  Indirect material costs are recovered as either Network or Corporate Overheads.
JAM	Contractor	Contractor comprises cost that are direct: - Contractor costs; and - Consulting costs, in each case where JAM has engaged contractors to perform works or services in relation to JEN's network
JAM	Maintenance Other	Maintenance comprises work including the following:  - Feed-in Tariff;  - Transitional Feed-in Tariff;  - Use of System  - Cross boundary charges;  - Property tax;  - Maintenance - Building & grounds and computer equipment;  - Security measures;  - Maintenance fees.
JAM	Administration	Administration comprises work items of a back office /support nature that are directly attributable to JEN projects and work activities, such as:  Office supplies;  Utilities;  External audit services;  Cother professional fees & expenses;  Licence fees (excluding motor vehicle rego fees);  Subscriptions & registrations;  Telephone, postage and courier service costs;  Rental costs;  Insurance (other than motor vehicle and personnel);  Meter reading fees.  In most cases, Administration costs are indirect in nature and recovered as Network or Corporate Overheads.

Affiliated Entity	Cost Type	Transaction Description and Purpose
JAM	Fleet	Fleet costs comprises those that are directly attributable to JEN projects and work activities, such as: - Fleet charges; - Vehicle and major equipment maintenance; - Fuel costs; - Lease expense; - Registration and third party costs; - Unrecovered accident costs; - Insurance. In most cases, Fleet costs are indirect in nature and recovered as Network Overheads.
JAM	Other	This category comprises work items that are attributable to JEN projects and work items, such as:  - Tender expenses;  - Management fees;  - Marketing services;  - Minor equipment.  In most cases, other costs are indirect in nature and recovered as Network or Corporate Overheads.
JAM	Network Overheads	Network overheads comprise indirect costs that are recovered to capex or opex projects using costing sheets and assessment cycles in SAP. These costs consist of: - Direct Support Allocations (DSA) (indirect labour recoveries); - Non labour recoveries (such as Indirect materials, Indirect contractor costs, Indirect maintenance other, Administration costs and Other costs) - Property recoveries; - Store Recoveries; and - Fleet costs.
JAM	Corporate Overheads	Corporate overheads comprise indirect costs that are recovered to JEN capex or opex projects using costing sheets and assessment cycles in SAP. These costs consist of: - Indirect labour recoveries; and - Non labour recoveries (such as indirect materials, indirect contractor costs, indirect maintenance other, administration costs).
Jemena Ltd	Settlement of receivables / payables	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
SGSPAA	Settlement of receivables / payables	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.

## REPORTING DETAILS — 2

Affiliated Entity	Cost Type	Transaction Description and Purpose
Zinfra (ZNX)	Settlement of receivables / payables	Settlement of outstanding receivable / payable balances with related parties through a process of net loan reassignments.
	Material	Material comprises an unusual one-off direct acquisition of poles that is not expected to occur in the ordinary course of business, with all ZNX transactions routed through JAM.

### INDEPENDENT ASSESSMENT OF COMPLIANCE — 3

#### 3. INDEPENDENT ASSESSMENT OF COMPLIANCE

#### Guideline requirement

Clause 6.2.1(c) of the Guideline requires DNSPs to ensure the annual compliance report must be accompanied by an assessment of compliance by a suitably qualified independent authority.

#### Compliance with requirement

JEN engaged the services of KPMG to undertake a limited assurance review of JEN's compliance against the Guideline requirements. KPMG's review report is provided at Appendix C to this Report.

## **Appendix A Measures to ensure compliance**



## A1. MEASURES TO ENSURE COMPLIANCE

Table A1-1: Measures to ensure compliance

	Control Name	Description	AER G	uideline	Obligati	on Claus	se Referen	ice						
			3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Maintain Accounts	Cost Allocation	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
		What it is: Detailed manual that describes how Jemena has applied, and implemented practices to ensure JEN adheres to the Guideline.												
1	Electricity Ring Fencing Compliance Manual	How it demonstrates and supports JEN's compliance with its obligations: The manual has been written and reviewed by Jemena Regulatory and Legal employees and external law consultants to provide the basis of how the AER guideline is applied and interpreted by Jemena/JEN.  This demonstrates Jemena establishing internal procedures and knowledge to ensure compliance with obligations under the Guideline. Currency and relevance of this manual is achieved by an annual review and amendment change events such as breaches, organisational changes, establishment of new businesses, waiver expiries/grants and revisions of the Guideline.	<b>~</b>	<b>~</b>	<b>~</b>	<b>~</b>	<b>~</b>	<b>~</b>	<b>~</b>	<b>✓</b>	<b>~</b>	<b>~</b>	<b>~</b>	<b>~</b>

	Control Name	Description	AER G	uideline	• Obligati	on Claus	se Referer	ıce						
			3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Maintain Accounts	Cost Allocation	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
2	Electricity Ringfencing Compliance Policy	What it is: Jemena's policy that articulates its approach towards adherence to the Guideline.  How it demonstrates and supports Jemena's compliance with its obligations: This demonstrates Jemena's commitment to ensuring compliance.	~	~	~	~	~	~	~	~	~	<b>~</b>	<b>~</b>	~
		What it is: Online compliance module that is required to be completed by every employee annually. It outlines employees' and JEN's obligations regarding Electricity Ring Fencing.												
3	Annual Compliance Training (Law@ Work – Electricity Ringfencing)	How it demonstrates and supports Jemena's compliance with its obligations  Staff are required to achieve an eighty percent pass rate to be assessed as competent in the content. Completion of module is monitored. Senior management are provided lists of employees who do not complete the module. They will then follow up with staff to complete the module. In addition to this, managers are responsible to ensure any new starters are aware of their responsibilities regarding ringfencing when they join a team in Jemena. This control is pivotal in ensuring all staff are aware of their obligations under the Guideline.	<b>~</b>	<b>~</b>	<b>~</b>	<b>~</b>	<b>~</b>	~	<b>~</b>	<b>~</b>	~		<b>~</b>	<b>~</b>
4	Organisation Framework Design and	What it is: Provides the business with an overview of the Organisational framework at Jemena.	<b>~</b>					<b>~</b>						

Control Name	Description	AER G	uideline	Obligati	on Claus	se Referer	ıce						
		3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
		Legal separation	Maintain Accounts	Cost	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	-
associated assessment templates	It is used to assist decision making in changes to roles and organisational structures. This framework includes reference to how Electricity Ringfencing obligations apply to processes and decisions related to the Organisational Structure.												
	Associated templates to assess impact also provide guidance to ensure that JEN designated roles and functions are identified and treated accordingly to the Guideline.												
	How it demonstrates and supports Jemena's compliance with its obligations:												
	In terms of electricity ring-fencing, it reinforces how organisation changes need to consider functional separation and staff sharing / separation obligations.												
Contracting and	What it is: This policy provides guidance on determining the responsible contracting entity for the procurement of goods and services, revenue agreements and land agreements.	_											
Procurement Entity Policy	How it demonstrates and supports Jemena's compliance with its obligations:	<b>/</b>	<b>'</b>										
	In terms of electricity ringfencing, it sets the policy to use the appropriate legal entity for the procurement of goods and services, revenue agreements and land agreements,												

	Control Name	Description	AER G	uideline	Obligation	on Claus	se Referer	nce						
			3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Maintain Accounts	Cost Allocation	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
		as relevant to JEN and / or affiliated entities providing contestable electricity services.												
		What it is: These documents provide the business with an overview of the rules and instructions relating to time writing for work.												
	Time writing	How it demonstrates and supports Jemena's compliance with its obligations:												
6		It supports Jemena's adherence to Cost Allocation Methodologies which in turn supports JEN in maintaining separate accounts.		<b>~</b>	<b>/</b>									
	codes	As part of Jemena's continuous improvement process, Jemena reviews its cost allocation methodologies (CAM) to ensure that costs are appropriately allocated to its Asset Portfolio. The key focus during 2018 is to further review Jemena's internal CAM to ensure that costs that are allocated to JEN are prudent and JEN is compliant with clause 3 of the Ring Fencing Guideline.												
		What it is: Report generated from SAP to identify and list JEN transactions to ensure transactions are raised in line with the CAM and CAP.												
7	Transaction Report	How it demonstrates and supports Jemena's compliance with its obligations:		<b>/</b>	<b>/</b>									
		Demonstrates all transactions between JEN and an affiliated entity												

	Control Name	Description	AER G	uideline	Obligati	on Claus	se Referen	ice						
			3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Maintain Accounts	Cost	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
8	Secondment Guideline	What it is: Guideline regarding how to treat the security (e.g. email, share drive access, cost centre allocations) in instances where personnel transfer from JEN to another role within Jemena (particularly to support a RESP business) under a secondment arrangement.  How it demonstrates and supports Jemena's compliance with its obligations:  In terms of ring-fencing it provides guidance and responsibilities to ensure confidentiality electricity information is not inadvertently provided to an RESP as a consequence of staff secondments.						<b>~</b>			<b>~</b>			
9	JEN Electricity Confidential Guideline	What it is: This guideline articulates how to determine JEN confidential information and associated rules relating to sharing under the Guideline.  How it demonstrates and supports Jemena's compliance with its obligations:  This demonstrates Jemena establishing internal knowledge and procedural information to ensure it complies with its obligations under the Guideline.									<b>~</b>	•		
10	JEN Information Sharing protocol	What it is: Protocol and tools (register, process and request forms) outlining how JEN maintains and manages its obligations regarding  - Sharing Information with RESPs and other contestable electricity service providers; and									<b>~</b>			

Description	AER G	uideline	Obligati	on Claus	se Referen	ice						
	3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
	Legal separation	Maintain Accounts	Cost Allocation	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
- Obtaining customer consent.  How it demonstrates and supports Jemena's compliance with its obligations:												
This demonstrates Jemena establishing internal knowledge and procedural information to ensure it complies with information sharing protocol obligations under the Guideline.												
What it is: This provides guidance when "procuring, managing and disposing of fleet and plant equipment that is owned, leased and operated by Jemena.  How it demonstrates and supports Jemena's compliance with its obligations: In terms of electricity ringfencing, it puts in place guidelines to restrict JEN procuring assets on behalf of its RESP.							<b>~</b>					
What it is: Used by Jemena Contractor Managers who are responsible for ensuring that their Contractor delivers to the requirements of their contract and minimising the risks to Jemena associated with this delivery.  How it demonstrates and supports Jemena's compliance with its obligations:  In terms of Electricity Ringfencing, it puts in place procedures to ensure that JEN's obligations are extended				<b>~</b>						<b>~</b>		
	How it demonstrates and supports Jemena's compliance with its obligations:  This demonstrates Jemena establishing internal knowledge and procedural information to ensure it complies with information sharing protocol obligations under the Guideline.  What it is: This provides guidance when "procuring, managing and disposing of fleet and plant equipment that is owned, leased and operated by Jemena.  How it demonstrates and supports Jemena's compliance with its obligations: In terms of electricity ringfencing, it puts in place guidelines to restrict JEN procuring assets on behalf of its RESP.  What it is: Used by Jemena Contractor Managers who are responsible for ensuring that their Contractor delivers to the requirements of their contract and minimising the risks to Jemena associated with this delivery.  How it demonstrates and supports Jemena's compliance with its obligations:	- Obtaining customer consent.  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	Control Name	Description	AER G	uideline	Obligati	on Clau	se Referer	nce						
			3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Maintain Accounts	Cost Allocation	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
		What it is: This provides a consistent, collaborative and integrated approach to the activities undertaken by Jemena to manage the lifecycle of its assets.												
13	Asset Management	How it demonstrates and supports Jemena's compliance with its obligations:			<b>/</b>	<b>/</b>			<b>/</b>					
	Strategy	In terms of Electricity Ringfencing it provides for regulated assets to be managed in line with regulatory requirements so that cross promotion and cross subsidy does not occur.												
14	Scheduling Principles within	What it is: These principles have been documented and embedded in operational guidelines that work to ensure that JEN does not discriminate in the way it supplies (or markets) its direct control services between services supplied to related electricity service providers (RESPs) (and customers of RESPs) and services supplied to competitors of those RESPs (and their customers).				✓		<b>✓</b>						
1-7	Guidelines	How it demonstrates and supports Jemena's compliance with its obligations:				•		•						
		This demonstrates Jemena establishing internal knowledge and procedural information to ensure it complies with non-discrimination obligations under the Guideline.												
15	Procurement Policy	What it is: The policy provides a framework within Jemena to efficiently and effectively procure goods and services; provide guidance on roles and responsibilities				<b>~</b>								

	Control Name	Description	AER G	uideline	Obligati	on Claus	se Referer	nce						
			3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Maintain Accounts	Cost Allocation	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
		of employees undertaking procurement activities; and detail the core principles that underpin the procurement activities with Jemena.  How it demonstrates and supports Jemena's compliance with its obligations: In terms of Ringfencing, it puts in place procedures to procure goods and services.												
16	Accountability Model and End to End Processes	What it is: The Accountability Model is a tool related to Jemena's Enterprise Process Model (EPM). It provides a single source of truth for accountabilities across the Jemena business.  The End to End processes is a tool related to Jemena's Enterprise Process Model (EPM). Jemena's 4 core End to End processes are Construction process, Maintenance process, Fault & Emergency process and Customer, Metering & Billing process.  How it demonstrates and supports Jemena's compliance with its obligations: In terms of Electricity Ringfencing, it documents obligations in terms of staff/employee responsibilities (i.e. staff sharing).						<b>~</b>						
17	Waiver Register	What it is: The Waiver Register published on Jemena's website (click here) outlines all approved waivers of the Guideline.  The compliance manual (Control 1 in this table) articulates responsibilities for the application process.											<b>~</b>	

	Control Name	Description	AER G	uideline	Obligati	on Claus	se Referer	nce						
			3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Maintain Accounts	Cost Allocation	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
		How it demonstrates and supports Jemena's compliance with its obligations: This demonstrates Jemena establishing internal knowledge and procedural information to ensure it complies with it register obligations under the Guideline.												
18	Staff Registers	What it is: The Staff Register published on. Jemena's website (click here) identifies Jemena staff that may be shared between the provision of direct control services and contestable electricity services.  The compliance manual (Control 1 in this table) articulates how, by who and when this register is reviewed and updated.  How it demonstrates and supports Jemena's compliance with its obligations: This demonstrates Jemena establishing internal knowledge and procedural information to ensure it complies with it register obligations under the Guideline.								<b>~</b>				
19	Office Register	What it is: The Office Register published on Jemena's website (click here) identifies Jemena premises dedicated to providing direct control services.  The compliance manual (Control 1 in this table) articulates how, who and when this register is reviewed and updated.  How it demonstrates and supports Jemena's compliance with its obligations: This demonstrates Jemena establishing internal knowledge and procedural								<b>~</b>				

	Control Name	Description	AER G	uideline	Obligati	on Claus	se Referer	ice						
			3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Maintain Accounts	Cost Allocation	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
		information to ensure it complies with its register obligations under the Guideline.												
		What it is: Any personnel involved in provision or marketing of Contestable Electricity Services are not permitted to access premises where staff solely dedicated to this function are located.												
20	Physical Separation	This is reflected in Jemena's site manual, access restrictions (security access card) and requests forms (Onboarding checklist).					<b>~</b>				<b>~</b>			
	<b>Зерагашо</b> п	How it demonstrates and supports Jemena's compliance with its obligations: This demonstrates Jemena's establishing procedural information and physical controls to ensure it complies with Physical Separation and Information Sharing obligations under the Guideline.												
	Checklist for	What it is: A checklist for determining whether information is suitable to be published on the Jemena website or on the intranet.												
21	publishing content on internet and intranet	How it demonstrates and supports Jemena's compliance with its obligations: This demonstrates Jemena's establishing and embedding procedural information to support information protections and cross promoting obligations. In establishing these checklists, both Jemena's website and intranet site were reviewed to ensure compliance							<b>~</b>		<b>~</b>			

	Control Name	Description	AER G	uideline	Obligation	on Claus	se Referer	nce						
			3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
			Legal separation	Maintain Accounts	Cost Allocation	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
22	Brand Separation	What it is: The Ovida brand has been established as Jemena's RESP.  Review of the external website has been conducted to ensure that Ovida is not promoted as part of the Jemena Brand which is associated with the delivery of direct control services. In addition, staff working in contestable electricity services are separated from JEN staff, and required to contact and communicate with customers via 'Ovida' branded emails. This is reinforced in the onboarding checklist.  How it demonstrates and supports Jemena's compliance with its obligations: This demonstrates Jemena establishing a separate brand for its RESP.							<b>✓</b>					
23	Compliance Reporting	What it is: A compliance reporting process has been established, implemented and documented to facilitate the compilation, assessment and sending of this report to AER each year in line with the Guideline. The timing is also reflected in the shared mail box calendar.  The obligations from the guidelines are housed in JCARS (obligation register) and assessed annually by responsible persons.  This process is part of the annual certification process which also enables Jemena to get assurance they												<b>~</b>

Control Name	Description	AER Guideline Obligation Clause Reference											
		3.1a	3.2a	3.2.2	4.1b	4.2.1a	4.2.2 a	4.2.3	4.2.4	4.3	4.4.1	5.7	6
		Legal separation	Maintain Accounts	Cost	Non Discrimination	Office, staff brand, promotions	Staff Sharing	Branding and Cross Promtions	Office and Stafff Registers	Information	Service Provider Conduct	Waiver	Compliance
	understand and are managing their regulatory obligations.												
	In addition, responsible persons are to log and treat breaches in JCARS in line with Jemena breach reporting process.												
	How it demonstrates and supports Jemena's compliance with its obligations: This demonstrates Jemena's establishing and embedding procedural												
	information to support how it maintains and reports on its compliance.												

## **Appendix B Guideline Breaches for Regulatory Year**



#### B1. GUIDELINE BREACHES FOR REGULATORY YEAR

Jemena is of the view that there are no reportable breaches for the 2017 regulatory year. This Report covers the Transition Period and full compliance with the Guideline is only required from 1 January 2018. Throughout the 2017 regulatory year, JEN has progressively implemented a number of compliance activities as described in Section 2 of this Report. These activities including certain controls have not been operating for the full 2017 regulatory year. Notwithstanding this, JEN is in compliance with the Guideline as at 31 December 2017.

Table B1-1: Guideline Breaches for Regulatory Year

<u> </u>	AUSTRALIAN ENERCY REGULATOR			Contact name: Contact phone:								
Reference Breach	s Breach description Clause of Guideline breached	Breach start	Breach end-	Date breach	Nature of breach	Cause of breach	Identificati Date	on Method of identification	Impact Potential impact of breach (on customers and/or contestable	Remediation Remediation action taken	Trend Other past	Other Any other relevant
Number	1	date	date	reported to			breach		customers and/or contestable		breaches of this	information
	2											
	4											
	5											
	6											
	8											

# **Appendix C KPMG Review Report**



## C1. KPMG REVIEW REPORT

As per the attachment.