

# Jemena Limited

## Ring fencing guideline - implementation project

Status report to the Australian Energy Regulator

Public

31 July 2017



**An appropriate citation for this paper is:**

Ring fencing guideline - implementation project - Status report to the Australian Energy Regulator

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## GLOSSARY

affiliate entities	As defined in the guideline
affiliates	Affiliate entities
compliance date	1 January 2018
Guideline	Ring fencing guideline issued by the Australian Energy Regulator, dated 1 December 2016
implementation phase	The period between 1 December 2016 and 1 January 2018

## ABBREVIATIONS

AER	Australian Energy Regulator
CAM	Cost Allocation Methodology
CAP	Cost Allocation Principles
CES	Contestable Electricity Services
DCS	Direct Control Services
DNSP	Distribution Network Service Provider
EDPR	Electricity Distribution Price Review
JEN	Jemena Electricity Networks (Vic) Limited
JOM	Jemena Operating Model
LT	Leadership Team
NEM	National Electricity Market
NER	National Electricity Rules
RESP	Related Electricity Service Provider
RFG	Ring Fencing Guideline
RIN	Regulatory Information Notice
SGSPAA	SGSP (Australia) Assets Pty Ltd
TNSP	Transmission Network Service Provider

## OVERVIEW

On 30 November, 2016, the Australian Energy Regulator (**AER**) released its final decision on the Ring Fencing Guideline (**RFG, Guideline**)<sup>1</sup>. 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 (**DCS**) and other services or entities affiliated with the DNSP (**affiliate entities**) provide other services. The Guideline is binding on DNSPs.

The objective of the Guideline is to promote competition in the provision of Contestable Electricity Services (**CES**) by introducing provisions to prevent:

- ) cross-subsidisation between distribution services and other services; *and*
- ) discrimination in favour of a related electricity service provider that provides competitive electricity services.

On 4 July 2017, the AER released a draft update to the Ring Fencing Guideline<sup>2</sup> (**Amended Guideline**) and seeks submissions by 15 August 2017; a final version is required to be released by the AER no later than 24 October 2017. Jemena welcomes the revisions and, based on a preliminary review, considers that the amendments provide greater clarity and consistency with Jemena's interpretations of obligations and do not materially impact our ability to comply with the obligations by the compliance date. JEN will undertake a more fulsome review and make a submission to the AER's consultation.

DNSPs are required to comply with the provisions within the Guideline as soon as reasonably practicable and no later than 1 January 2018 (**compliance date**).

In response to the AER's request for information,<sup>3</sup> this paper (**status report**) provides an update on the activities Jemena Electricity Networks (Vic) Ltd. (**JEN**) is undertaking to meet its obligations by the compliance date.

The **purpose** of this paper is to:

- ) outline JEN's approach to implementing changes necessary to comply with the RFG requirements;
- ) provide the reasoning for any Guideline interpretation and implementation approach taken thus far; *and*
- ) provide an update on the progress achieved to date, outline the in-flight activities and outline future plans to achieve compliance.

In addition to this status update report, JEN has applied for a number of waivers as permitted under the Guideline, these are provided in separate correspondence.

The **structure** of this paper focuses on:

- ) providing the context of the RFG (Section 1), including the relationships with affiliate entities (**affiliates**) and in particular those considered to be Related Electricity Service Providers (**RESPs**);
- ) the project plan with key activities and milestones and achievements to date (Section 2);

<sup>1</sup> AER, *Ring-Fencing Guideline Electricity, Distribution*, 30 November 2016.

<sup>2</sup> AER, *Draft Amended Ring-Fencing Guideline, Electricity Distribution*, 4 July 2017.

<sup>3</sup> Letter addressed to Paul Adams, Managing Director of Jemena, from Michelle Groves, CEO of the AER, dated 17 February 2017 (reference D17/8214).

- ) achievements to date (Section 3); *and*
- ) major project activities and next steps (Section 4).

#### Reading this submission

When reporting in this document, statements may be made from the perspective of JEN (the DNSP on which the obligation is placed) or Jemena (where a decision, action or position is taken across the portfolio businesses impacted by the Guideline). This approach to reporting is necessary as the implications of the Guideline reach beyond just JEN and into the broader group structure.

#### Publication of this status report

Jemena does not claim confidentiality over this status report and therefore approves its release for public viewing.

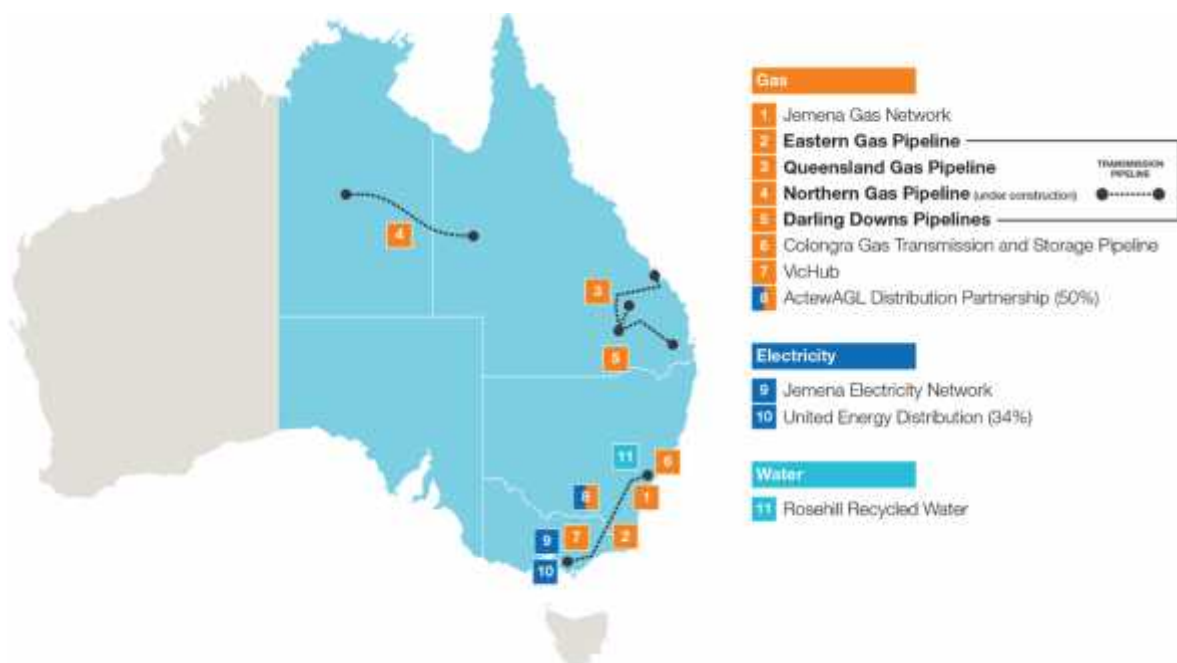
# 1. INTRODUCTION

## 1.1 WHO IS JEMENA?

Jemena owns and operates a diverse portfolio of energy and water transportation assets. These assets span multiple states making Jemena one of Australia’s most diverse and unique energy infrastructure businesses.

Figure 1–1 outlines the types of asset that Jemena owns—by business or investment<sup>4</sup>—and where those assets are located across Australia.

**Figure 1–1: Location of Jemena’s businesses and investments across Australia**



Details of the main businesses that Jemena wholly owns and operates (that is, excluding assets in which Jemena only holds an investment interest)—including the physical characteristics of the assets and the type of customers we serve—are outlined in Table 1–1 below.

**Table 1–1: Outline of businesses in Jemena’s portfolio**

Jemena Businesses	Sector
<b>Jemena Electricity Network:</b> The 6,000km system delivers electricity to more than 319,000 homes and business in north-west Melbourne.	Electricity
<b>Jemena Gas Network:</b> Established in 1837, the 25,000km system delivers gas to more than 1.3 million homes, businesses and industrial customers in New South Wales.	Gas
<b>Queensland Gas Pipeline:</b> Our 627km pipeline delivers gas from the Surat/Cooper Basin to the Gladstone and Rockhampton markets.	Gas

<sup>4</sup> Investment businesses operate under their own brands and in their own right as electricity and gas distribution businesses.



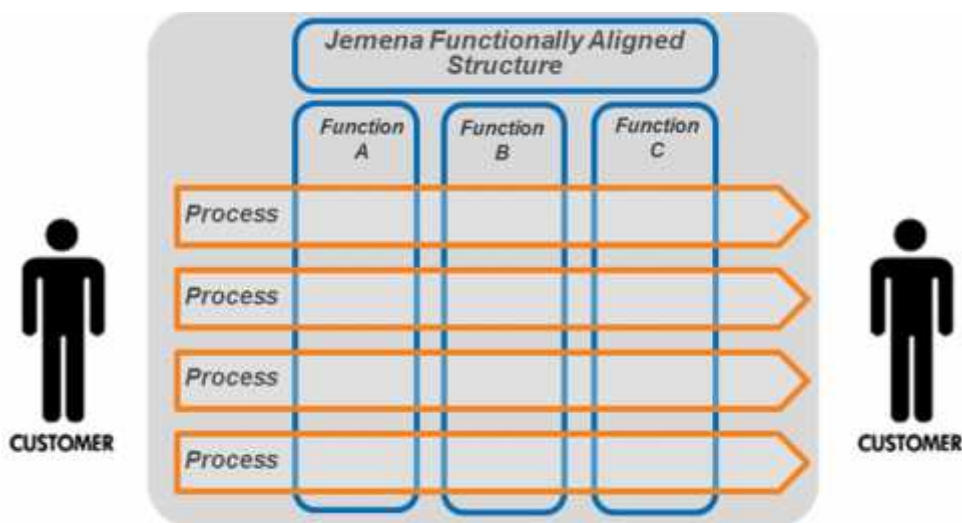
Jemena Businesses	Sector
<b>Eastern Gas Pipeline:</b> Our 797km pipeline delivers gas from Victoria's Gippsland Basin to Sydney, the ACT and regional New South Wales.	Gas
<b>Darling Downs Pipeline:</b> The Darling Downs Pipelines are three interconnected gas transmission pipelines operating as a single network spanning 292km from Spring Gully, via Wallumbilla to the Darling Downs Power Station in South East Queensland..	Gas
<b>VicHub:</b> Our pipeline interconnects enables gas to flow between the Eastern and Tasmanian Gas Pipelines as well as the Victorian gas transmission network.	Gas
<b>Colongra Gas Transmission and Storage Facility:</b> Our pipeline and compressor station transports and stores gas for Snowy Hydro's 667MW gas fired peaking generator.	Gas
<b>Northern Gas Pipeline:</b> Announced in late 2015, development of this pipeline, which links Tennant Creek in the Northern Territory to Mt Isa in Queensland, is currently underway	Gas
<b>Aquanet Rosehill Recycled Water Scheme:</b> Our 20km recycled water scheme transports 20M litres of water per day to the industrial centres of Western Sydney.	Water

In addition to the own/operate businesses, Jemena has an equity interest in United Energy (34%) and ActewAGL (50%) that operate under their own brands and in their own right as electricity and gas distribution businesses; JEN and its affiliate entities do not participate in the management of these businesses. On this basis, and using a purposive approach to implementing the requirements to meet the Guideline obligations, management considers these businesses to be affiliate entities, however, they are not RESPs.

**Jemena's operating model**

Over the years, Jemena has established Jemena Operating Model (JOM) to drive the customer focus through process centricity in a functionally aligned organisation structure. The JOM enables Jemena to bring standardisation in the delivery of services to its customers through common processes across its portfolio of businesses at an efficient cost. Figure 1–2 provides a conceptual view of how the customer focussed processes operate through the various functions to deliver services to our customers.

**Figure 1–2: Jemena Operating Model**



The obligations in the Guideline have introduced disruption and complexity to the JOM, and therefore requires a prudent approach to ensure the synergies (where possible) can be maintained through the implementation project.

A number of underpinning artefacts under the JOM require review and updates, including but not limited to accountabilities, process model and process maps, data governance.

## 1.2 THE RING FENCING GUIDELINE – OUR UNDERSTANDING

The requirements of the Guideline can be described as principle based, they are less prescriptive in nature and therefore can be interpreted broadly or narrowly. JEN has taken a ‘purposive’ approach to interpreting the requirements of the Guideline reflecting on the objectives that the Guideline is trying to address and the explanatory statement that accompany the Guideline itself.

The summary of key obligations required of the Guideline—as interpreted by JEN—are outlined in Table 1–2 below.

**Table 1–2: Summary of RFG obligations as they relate to JEN**

Obligation	Description
Legal separation	JEN can provide distribution services but no other services
Establish and maintain separate accounts	JEN must establish and maintain internal accounting procedures in relation to transactions between JEN and affiliated entities, and allocate costs to distribution services in accordance with the AER’s Cost Allocation Principles ( <b>CAP</b> ) and cost allocation methodology ( <b>CAM</b> )
Non-discrimination	JEN must not discriminate between a RESP and a competitor (or their customer) in the provision of DCS or CES
Physical separation	In providing DCS, JEN must ensure that there is physical separation (such separate offices, separate floors, or separate secured areas) between itself and where a RESP provides CES.
Staff sharing	Staff involved in the provision of marketing of DCS must not also be involved in the same activity for CES by a RESP. We have interpreted this separation requirement—and the requirement related to physical separation—where (i) staff are involved in the provision or marketing of DCS, (ii) staff have access to electricity information, and (iii) there is an opportunity for the relevant staff member(s) to use that information to discriminate in favour of an RESP or its customers.
Branding and cross-promotion	JEN must use branding for its DCS that is separate from that used by a RESP for CES, and must not cross promote DCS and CES
Information sharing and access	Access to JEN’s electricity information is restricted.

## 1.3 JEMENA’S STRATEGIC APPROACH TO GUIDELINE IMPLEMENTATION

Jemena considers the requirements of the Guideline impacts the *identity* of JEN. This, coupled with Jemena’s diverse ranges of businesses (i.e. electricity, gas and water), national presence and integrated customer focused operating model, has necessitated management to undertake a strategic view to the compliance changes required.

To ensure the decisions are well considered and effectively governed, Jemena has developed a framework against which it will decide the range of changes necessary to comply with the Guideline requirements. The framework takes a long term strategic approach staged across three distinct phases (as outlined in Figure 1–3).

**Figure 1–3: Phased approach to implementing the RFG changes**

Each phase is described in more detail in section 3.2 below.

## 2. THE IMPLEMENTATION PLAN

### 2.1 KEY IMPLEMENTATION ACTIONS

The ring fencing implementation project has been structured based on a number of actions as a result of strategic options review work, this work will be managed in streams for better integration and synergies in the activities. A summary of the high level actions for each obligation is outlined in Table 2–1 below.

**Table 2–1: High level action plan by obligation**

Obligation	Summary of Key Actions Based on Strategic Options Review
Legal Separation	1. Review impact of legal separation, update processes and roll out
Establish & Maintain Accounts	2. Review impacts of separate accounts and cost allocation, including transaction report between JEN, RESPs and affiliated entities 3. Maintain ongoing compliance of cost allocation principles and JEN’s approved CAM
Non-discrimination	4. Review impact of non-discrimination requirements, update processes and roll out 5. Detailed contract review
Physical separation	6. Design and construct facility to support physical separation 7. Implement IT systems changes and hardware to support new location arrangements 8. Complete organisation design, manage workforce transition and change management to move affected JEN staff to the secure area
Staff sharing	9. Review impact of staff sharing, update processes and roll out 10. Complete organisation design 11. Conduct roles & responsibility review 12. Manage workforce transition and change management
Branding & cross-promotion	13. Conduct Brand Strategy Review 14. Mobilise brand and marketing in accordance with Brand Strategy review
Information sharing	15. Review impact of information sharing, develop and update processes, policies, and procedures 16. Design, build and implement IT system changes to support information sharing control / compliance 17. Develop control for ongoing compliance, including training, accountability and framework

- (1) The actions have been summarised based on the phase 1 Strategic Review and completion of phase 2a planning activities
- (2) The level of effort required and timeline to implement actions for ‘Branding & cross-promotion’ are subject to the Brand Strategy outcomes (scheduled for Phase 2b) and the AER’s decision on a possible waiver application.

The RFG implementation project is amongst the highest priority activities in the suite of projects that Jemena is implementing during 2017. The priority attached to the project reflects the nature of the regulatory obligation as well as short time frames to achieve compliance by the compliance date. Given this, the formal project and steering committee governance structure was established early in the process.

The governance structure has the following elements:

- J) **Steering committee:** Provide oversight to the operation of the project, including approvals and strategic direction.

- J) **Project office:** The overall project office is responsible for reporting, coordination and integration amongst the work streams. The change and communication management across the entire project also sits in the project office for synergies through better integration and co-ordination. The project office reports into the Steering Committee (comprised of executive management), which reports into the Jemena Leadership Team (LT) and the Board (as required).
- J) **The implementation work streams:** Separate work streams based on the actions outlined in Table 2–1, are structured as follows:
- Regulations & Compliance
  - Branding & Marketing
  - IT Systems, Data & Controls
  - Organisation Design & Workforce Transition
  - Transition Logistic (including facilities management)
  - Process & Protocols
  - Finance
  - Legal
  - Commercial

## 2.2 COMMUNICATIONS PLAN

A key part of the project implementation will be a comprehensive communication plan that ensures;

- awareness and acceptance of all changes to processes, systems, and compliance requirements by Jemena employees, affiliates, contractors, and related entities. (we have already communicated summary information on the project to our staff through an edition of Jemena’s weekly communication bulletin, presentations by project staff at targeted work group meetings and monthly functional group forums).
- Clarity for our customers in terms of services that are provided, who provides the services and how Jemena team members will interact with customers going forward.

Implementation of this plan will commence later in Q3/2017.

Awareness and acceptance of the changes for Jemena team members will utilise the broad spectrum of current internal communication channels including workshops, leader communications, Jemena’s intranet, and training on changed compliance obligations, processes, policies and work practices.

For Jemena customers, information will be publicly available via Jemena’s website, and controlled scripting will be in place at relevant points of customer interaction to ensure compliance obligations are met.

Along with Jemena’s own communication strategy, we have been working with Energy Networks Australia to develop common communications material for a broader release to our and all customers across the National Electricity Market to ensure a consistent message.

### 2.3 TIMELINE FOR THE COMPLIANCE PROJECT

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A high level project plan to achieve compliance by the compliance date is outlined below. This plan is updated frequently in light of progress made and as new information that shapes the project arises. The high level project is outlined in Appendix A.

### 3. ACHIEVEMENTS

The Guideline has been in place since 1 December 2016 and has a target final compliance date of 1 January 2018, between these dates (**implementation phase**) Jemena will implement changes necessary for JEN to comply with the obligations. As at the time of this report JEN has completed a number of activities on its journey down the path to compliance with the Guideline requirements, this section outlines the major achievements of JEN's ringfencing guideline implementation project.

#### 3.1 ACHIEVEMENTS AND PROGRESS AGAINST THE OBLIGATIONS

Jemena—and more specifically JEN—has completed or already complies with a number of requirements of the Guideline, these are summarised in Table 3–1.

**Table 3–1: Summary of compliance achieved to date**

Obligation	Achievements / Actions Implemented
Legal separation	<ul style="list-style-type: none"> <li>) Activities completed to confirm the legal separation, the current structure is established to comply with this obligation</li> <li>) JEN is established under its own entity and Jemena's RESPs are also established with their own legal entities</li> </ul>
Establish and maintain separate accounts	<ul style="list-style-type: none"> <li>) JEN maintains accounts in accordance with the CAM and reports annually through its Regulatory Information Notice (<b>RIN</b>) responses</li> <li>) JEN has assessed, and reviewed with its auditor, that it is able to report on the transactions between JEN and Jemena's affiliated entities (including the ActewAGL and UED affiliate entities).</li> </ul>
Non-discrimination	<ul style="list-style-type: none"> <li>) JEN is compliant with similar obligations under its Victorian distribution licence and implementation planning is underway to scope the work required to meet further non-discrimination obligations under the Guideline</li> <li>) Communications and training are under development to enforce the Non-discrimination requirements</li> </ul>
Physical separation	<ul style="list-style-type: none"> <li>) A high level review of the functions that will be physically separated has been completed</li> <li>) Based on the review, Collins Street site is impacted by the need to physical separate. The most efficient approach is to physically separate one of the floors in the Collins Street office and relocate the functions that need to be physically separated from the contestable business</li> <li>) Protocols will be developed to ensure physical separation at other Jemena sites</li> </ul>
Staff sharing	<ul style="list-style-type: none"> <li>) A review has been undertaken on the functions / staff that can be shared, including a review of the protocols for shared staff</li> <li>) Detailed organisational redesign has commenced and is near completion</li> </ul>
Branding and cross-promotion	<ul style="list-style-type: none"> <li>) Brand Strategy work (see section 3.2) has commenced and is expected to conclude by the end of August for formal decision</li> </ul>

Obligation	Achievements / Actions Implemented
Information sharing and access	<ul style="list-style-type: none"> <li>) Initial communication issued and information sessions held with the immediately impacted teams to reinforce the information sharing obligation and protocols.</li> <li>) Scoping and implementation planning underway to understand the complex work required around systems, data, process, protocols, change management and training in the existing JOM.</li> </ul>
Waivers	<ul style="list-style-type: none"> <li>) We have applied for waivers for all negotiated services and unregulated services as listed in the AER’s 2016-20 Electricity Distribution Price Review (<b>EDPR</b>) Service Classification covering the duration of this regulatory control period. This is necessary to provide a workable solution during the current regulatory control period for our customers.</li> </ul> <p>Note: We may apply for an additional waiver in September 2017 in relation to branding; see section 4 below for further details.</p>

In addition to making progress on the compliance requirements, Jemena has made progress on the project execution, these activities are outlined in Table 3–2 below.

**Table 3–2: Summary of compliance achieved to date**

Obligation	Achievements / Actions Implemented
Implementation planning	<ul style="list-style-type: none"> <li>) <i>Implementation Planning:</i> The detailed implementation planning is complete with resources mobilised onto the project</li> <li>) <i>Detailed requirements and design:</i> The detailed requirements and design has commenced, including process design, mapping, policies development / updates and protocols developed</li> <li>) <i>Training Needs Analysis, Contents and Training:</i> activities around training will commence in July for strategy and approach, needs analysis in August, content development in September and training delivery targeted to occur October / November</li> </ul> <p>Given the compressed timeline, a number of interdependent activities will be run in parallel with a strong requirement for integration and coordination across all work streams</p>
Approach to audit / review	<ul style="list-style-type: none"> <li>) JEN is in the process of engaging an auditor to undertake a ‘pre-day 1 compliance review’ to ensure we are on track to be compliant by the commencement date and to identify areas for improvement before the go live date. We will conduct this review in Oct / Nov</li> </ul>
Internal and external Communications planning	<ul style="list-style-type: none"> <li>) A detailed communication strategy and communication &amp; engagement plan has been developed, a summary of this activity is outlined in section 2.2 above</li> </ul>

### 3.2 STRATEGIC OPTIONS REVIEW – A LONG TERM APPROACH

Phase 1: Strategic Options Review was carried out in line with approach outlines below.

Jemena engaged an external advisory firm to conduct a review through an engaged approach with key stakeholders throughout the business. A number of options were considered as part of this review and were rated against the principles outlined in Table 3–3 to determine the best *long-term* solution for Jemena’s customers and business. The main objective of the Strategic Options Review was to determine the best course of action to take



at a high level and *pause* to make the *right* decision for best long-term outcomes. Jemena has taken a strategic approach to implement a long term solution to meet the compliance. In summary, the review helped Jemena answer three key questions outlined in Figure 3–1 below.

**Figure 3–1: High level strategic options review**



When deciding on these issues, the implementation principles are considered (outlined in Table 3–3 below) to determine the best path forward.

**Table 3–3: Implementation principles**

Principle	Objective
<b>Customer and Implementability</b>	<ul style="list-style-type: none"> <li>Minimise the impact and cost of implementation to the customers and organisation</li> </ul>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>Position Jemena to meet compliance requirements within specified timeframes</li> <li>Implement changes in the context of future regulatory trends and the longer term market direction</li> </ul>
<b>Risk</b>	<ul style="list-style-type: none"> <li>Consider the level of risk the implementation solution will introduce for JEN, Jemena, RESPs and affiliated entities across key areas including Safety, Customer, Brand and Finance</li> </ul>
<b>People &amp; Culture</b>	<ul style="list-style-type: none"> <li>Minimise and manage people and culture impacts related to implementation project</li> <li>Position Jemena to leverage varying talent and skill sets in order to retain the service levels of the existing regulated business, and consider new energy service opportunities</li> </ul>
<b>Strategic drivers</b>	<ul style="list-style-type: none"> <li>Balance key short, medium and long term strategic objectives across core elements including growth, market positioning and customer</li> </ul>

The options were further formalised and refined by the business and project team to facilitate LT discussion and decisions. The LT provided endorsement of the path recommended in March end.

**Phase 2: Implementation planning and brand strategy**

This phase is split into sub-phases, with an objective of commencing the implementation and conducting the brand strategy concurrently, this enables Jemena to implement the actions required irrespective of the Brand Strategy outcomes in parallel to the Brand Strategy work.

- a) **Phase 2a: Implementation Planning** – In this phase the focus is about developing the business case and the implementation plan for the activities required.
- b) **Phase 2b: Brand Strategy** – Jemena has a national footprint with multiple businesses all using a common brand 'Jemena'. Changing our branding strategy would be a significant change for the business and is therefore a task not to be taken lightly. The outcomes of the Brand Strategy, scheduled for completion in August 2017, will be considered and implemented into the broader RFG implementation project. Due to the complexity of changes and time it takes for rebranding JEN (if required), Jemena may not be able to resolve and implement all branding changes by the compliance date and may therefore be seeking a waiver. A decision on whether a branding waiver is required will not be known until after submission of this status report and after the submission of the other JEN waiver applications, consequently, JEN may submit a separate waiver for branding at a later date (but will do so as soon as practical after the branding strategy is complete and well before the compliance date).

### Phase 3: Implementation

The implementation phase of the project will undertake actions required to achieve compliance by the compliance date. It is important to highlight that whilst the implementation of the larger, complex and strategic changes hasn't started (although decision making required for that implementation is well advanced), implementation of quick wins has already commenced, e.g. communication to the business on path to compliance as soon as reasonably practicable and instructing staff on what information can be shared between JEN and RESPs. [Noting the implementation will be subject to certain waivers being sought (see section 4 for more details).]

## 3.3 BOARD INVOLVEMENT

Jemena has taken a strategic view to meet the obligations under the Guideline and the board of its ultimate Australian parent entity SGSP (Australia) Assets Pty Ltd (**SGSPAA**) board was briefed at its board meeting in April 2017. The Board has taken a keen interest in ensuring the project is set up to succeed, costs of compliance are prudent and efficient, meets regulatory obligations and align to Jemena's strategic intent.

## 4. MAJOR PROJECT ACTIVITIES AND NEXT STEPS

### 4.1 PROJECT ACTIVITIES

This section outlines the upcoming and or in progress project activities, these are summarised in Table 4–1 below.

**Table 4–1: Major activities coming up**

Major Activities / Milestones	Update Commentary
<p><b>Brand Strategy</b></p>	<p>Brand Strategy review work has commenced and is expected to be completed by the end of August 2017, when the decision and outcomes are to be endorsed by the Jemena LT and the Board (if required)</p> <p>Jemena owns and operates a diverse portfolio of energy and water transportation assets across multiples states of Australia. Jemena uses its brand for all the products and services under the Jemena group as a business. The branding requirement from the RFG <i>disturbs / complicates</i> Jemena’s current use of the brands and forces Jemena to reconsider its group-wide brand strategy</p> <p>This has necessitated undertaking a review of the Brand Strategy to consider all SGSPAA businesses and products as well as the use of the brand to engage with media, government bodies, regulators, external parties and Jemena staff:</p> <ul style="list-style-type: none"> <li>) Only following the outcome of the review of the Brand Strategy, Jemena can undertake the necessary measures to be compliant with RFG branding requirements</li> <li>) The implementation considerations around Brand will be factored in once the Brand Strategy review work is completed. Due to the complexity of changes and time it takes for rebranding (if required) to be implemented, Jemena may not be able to resolve and implement all branding changes by the compliance date and may therefore be seeking a waiver</li> </ul>
<p><b>Preventive controls</b></p>	<p>According to the project plan, Jemena will develop strong preventive controls to ensure the compliance with the RFG guideline, including:</p> <ul style="list-style-type: none"> <li>) Trainings</li> <li>) Protocols</li> <li>) Processes</li> </ul>
<p><b>Detective controls</b></p>	<ul style="list-style-type: none"> <li>) Part of the project plan, Jemena will also develop a compliance register and enter all the RFG obligations into our compliance management system.</li> <li>) Post implementation, Jemena Compliance Management System will be used to monitor our performance and provide assurance of the compliance, includes:             <ol style="list-style-type: none"> <li>1. Employee self-assessment</li> <li>2. Checks of the quality of the high risk obligations’ responses</li> <li>3. Quarterly compliance snapshot for Jemena Leadership team</li> </ol> </li> </ul>

Major Activities / Milestones	Update Commentary
<b>Cost Pass-Through</b>	<ul style="list-style-type: none"> <li data-bbox="453 367 1461 524">) <i>Operational changes:</i> Jemena has driven a number of efficiencies through the business by adopting functional alignment under a common customer focussed operating model. The RFG may require us to unwind some of the efficiencies achieved as well as create duplication (in some cases, e.g. roles and processes). The implementation approach is targeted to ensure disruption and variation is minimised</li> <li data-bbox="453 533 1461 629">) <i>Implementation costs:</i> The cost estimates are being developed for implementing the changes however we expect these to exceed the cost-pass through materiality requirements.</li> <li data-bbox="453 638 1461 763">) <i>Cost pass through:</i> We will keep the AER informed on the progress of the possibility of a cost pass-through application during the implementation project as each milestone is passed; including up to and including the date for raising a cost pass-through applications (namely 13 May 2018)</li> <li data-bbox="453 772 1461 869">) <i>Efficiency and prudence in spend:</i> The approach deployed by Jemena ensures prudence in spend and multiple options are being considering for major cost items to ensure efficiency</li> </ul>
<b>Approach to audit/review</b>	<ul style="list-style-type: none"> <li data-bbox="453 889 1461 981">) As a part of the RFG implementation project, Jemena has recruited its audit partner to undertake a 'pre day-1 review' to ensure compliance with the obligations by the commencement date. This activity is scheduled for October 2017</li> <li data-bbox="453 990 1461 1048">) The ongoing approach to reviewing compliance will be also be determined as part of the implementation project</li> </ul>

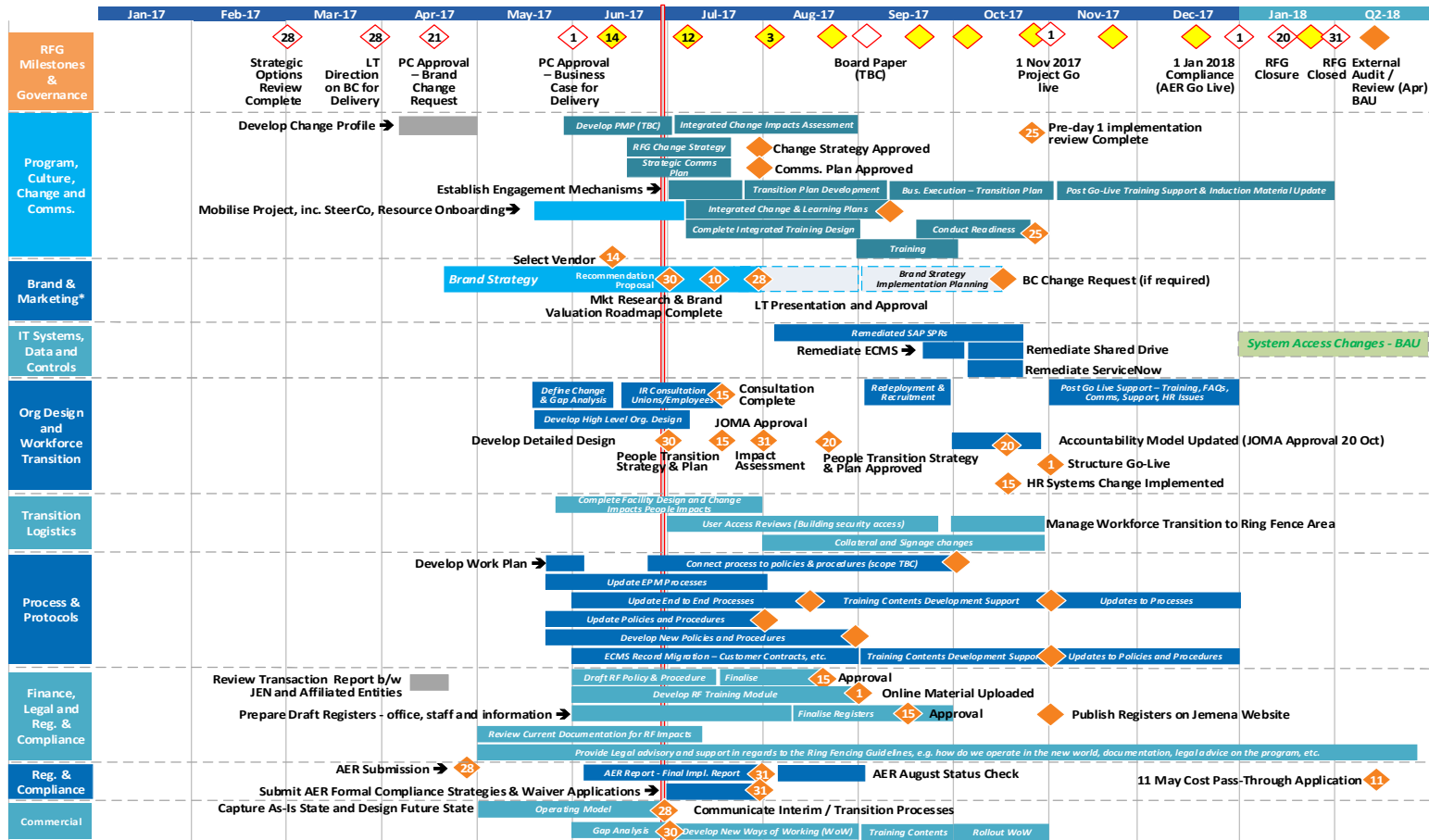
4.2 NEXT STEPS

Going forward Jemena will:

- ) continue to execute against its planned activities—as outlined in this status report—to ensure compliance with the Guideline requirements by the compliance date and engage with the AER throughout this process to demonstrate compliance readiness;
- ) participate in regulatory consultations around the changes to the Guideline, with responses due on 15 August 2017, and any consultation conducted by the AER in relation to waiver applications; *and*
- ) we will closely monitor and manage our expenditure on this implementation project through effective project controls.to ensure prudent and efficient expenditure. If the expenditure threshold criteria are met we may submit a cost pass-through application to the AER.

# Appendix A Project Plan

# A1. PROJECT PLAN



LEGEND: = BTP Governance Meetings = Program Milestone = Key Milestone = Milestone Achieved = Activity Complete