



Independent Reasonable Assurance Report

To the Directors of Power and Water Corporation

Conclusion

In our opinion, Power and Water Corporation (Power and Water) Statement of Compliance that the entity has, with the exception of breaches identified and reported to the Australian Energy Regulator (AER), complied with the Ring-fencing Guideline published by the AER on 17 October 2017, under the National Electricity Rules as in force in the Northern Territory (NT NER) as at 21 November 2019, clause 6.17.1 and derogations under clause 6.17.1B ('Derogated Guideline') is, in all material respects, fairly presented for the regulatory period 1 July 2020 to 2 February 2022.

Emphasis of Matter – Breaches of Ring-fencing guideline

Without qualifying our conclusion, we draw attention to section 3.3 of Power and Water's Electricity Ring-fencing Annual Compliance Report ("Annual Compliance Report"), which describes the breaches identified in the regulatory period 1 July 2020 to 02 February 2022.

Breach of Clause 3.2.1 of the Ring-fencing Guideline – Separate accounts and 3.2.2 Cost allocation and attribution

The Ring-fencing Guideline requires Power and Water to establish and maintain appropriate accounting procedures between our regulated network and Request for Information for Related Electricity Service Providers (RESPs) required by Clause 3.2.1 and to allocate and attribute costs to the regulated network in accordance with Cost Allocation Principles and AER approved Cost Allocation Methodology (CAM) as required by Clause 3.2.2. To meet this obligation Power and Water have finalised, approved and adopted its Ring-fencing accounting and cost allocation procedure manual during the reporting period.

The breach ceased only on the 20 January 2022 when the Ring-fencing accounting and cost allocation procedures were formally approved by the AER.

Breach of Clause 4.1 of the Ring-fencing Guideline – Obligation to not discriminate and Clause 4.4 Service providers

The Ring-fencing Guideline requires relevant standard terms and conditions in contracts as required by Clause 4.1 and ensuring that any new or varied agreement with service providers requires compliance with relevant standard terms and conditions as required by Clause 4.4.4(a). The breach is still ongoing and was identified from a previous external review.

Breach of Clause 4.3 of the Ring-fencing Guideline – Information sharing

The Ring-fencing guideline requires that Power and Water achieve full compliance with non-disclosure obligations as required by Clause 4.3.3 and information sharing protocols as required by Clause 4.3.4. Power and Water have consulted with the AER to determine application of these clauses and taken steps post reporting period to resolve the breach.

Conclusion (Continued)

Breach of Clause 4.3.2 of the Ring-fencing Guideline – Obligation to protect confidential information

The Ring-fencing Guideline requires Power and Water to protect confidential information relating to customer meter data.

Customer meter data was sent to the new retailers before the transfer dates. These were highlighted in breach numbers I22060, I22063, I22607 and I23989 in Power and Water's Statement of Compliance.

Breach of Clause 6.1 of the Ring-fencing Guideline – Maintaining compliance

The Ring-fencing Guideline requires that Power and Water maintain an appropriate control environment to ensure compliance as required by Clause 6.1. This remains ongoing at reporting date.

Information subject to Assurance

The information subject to assurance is Power and Water's Statement of Compliance for the regulatory period 1 July 2020 to 2 February 2022, as set out in section 2 and 3.1 of Power and Water's Annual Compliance Report prepared in accordance with the Ring-fencing Guideline published by the AER on 17 October 2017, under the NT NER as at 21 November 2019, clause 6.17.1 and derogations under clause 6.17.1B (Statement of Compliance).

Scope

The scope of our reasonable assurance engagement is whether Power and Water's Statement of Compliance, with the exception of breaches identified and reported to the AER, has complied with the Ring-fencing Guideline published by the Australian Energy Regulator on 17 October 2017 under the NT NER as at 21 November 2019, clause 6.17.1 and derogations under 6.17.1B is, in all material respects, fairly presented for the regulatory period 1 July 2020 to 02 February 2022.

This Statement of Compliance accompanies our report, for the purpose of reporting to the Directors of Power and Water and the AER.

Basis for conclusion

We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3100 Compliance Engagements (ASAE 3100). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ASAE 3100 we have:

- used our professional judgement to plan our procedures and assess the risk of material misstatements in Power and Water's Statement of Compliance that the entity has, with the exception of the breaches identified and reported to the AER, complied with the Ring-fencing Guideline;
- considered internal controls implemented to meet the compliance requirements of the Ring-fencing Guideline; however, we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

Summary of procedures performed, findings and observations

In Appendix A, we provide an overview of the key procedures, observations and findings in relation to each of the Ring-fencing Guideline requirements. This overview is provided at the request of the AER to provide greater transparency over the work we performed. Our conclusion is not modified in this respect.

In Appendix B, we have summarised performance improvement observations. Our conclusion is not modified in respect of these observations.

How we define reasonable assurance and material misstatement

- Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material misstatement in Power and Water's Statement of Compliance when it exists.
- Instances of misstatement in Power and Water's Statement of Compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users taken on the basis of Power and Water's compliance with the requirements of the Ring-fencing Guideline.

Inherent limitations

- Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error, or material misstatement in Power and Water's Statement of Compliance may occur and not be detected.
- A reasonable assurance engagement for the regulatory period 1 July 2020 to 2 February 2022 does not provide assurance on whether compliance with the requirements of the Ring-fencing Guideline will continue in the future.

Use of this assurance report and matters relating to electronic publication

This report has been prepared for the Directors of Power and Water and the AER for the purpose of compliance with the Ring-fencing Guideline and may not be suitable for another purpose.

We understand that the AER intends to publicly release our assurance report via its website. The AER is responsible for the integrity of AER's website where our report is presented alongside the Annual Compliance Report. We have not been engaged to report on the integrity of the AER's website. This report refers only to the Statement of Compliance and does not provide an opinion on any other information which may have been hyperlinked to/ from the Annual Compliance Report. If users of the Annual Compliance Report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the Annual Compliance Report to confirm the information contained in this website version of the Annual Compliance Report.

We disclaim any assumption of responsibility for any reliance on this report, or the Annual Compliance Report to which it relates to any person other than the Directors' of Power and Water and the AER, or for any purpose other than for which it was prepared.

Management's responsibility

Management is responsible for:

- the compliance activities including identifying, designing and implementing controls to meet the requirements of the Ring-fencing Guideline;
- identification of risks that threaten the compliance with the Ring-fencing Guideline from being met;
- monitoring ongoing compliance; and
- preparing an Annual Compliance Report and providing a Statement of Compliance with respect to the outcome of the evaluation of the compliance activity against the Ring-fencing Guideline, which accompanies this Independent Assurance Report.



Our responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to Power and Water's Statement of Compliance with the Ring-fencing Guideline, for the period 1 July 2020 to 2 February 2022 and to issue an assurance report that includes our conclusion.

Our independence and quality control

We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the Australian Professional and Ethical Standards Board and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

Darwin

30 May 2022



Appendix A – Summary of procedures performed, observations and findings

In this section, we present an overview of key procedures performed, observations and findings as part of our reasonable assurance engagement in respect of Power and Water Corporation’s (Power and Water) compliance activities with the relevant requirements of the Ring-fencing Guideline (Guideline) published by the AER on 17 October 2017, under the National Electricity rules as in force in the Northern Territory as at 21 November 2019, clause 6.17.1 and derogations under clause 6.17.1B for the regulatory period 1 July 2020 to 2 February 2022 (regulatory period).

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our conclusion reported in the Independent Reasonable Assurance Report.

We performed the following general procedures to assess Power and Water’s overall compliance with the Guideline:

- read the Ring-fencing Annual Compliance Statement to confirm that Power and Water’s overall compliance measures and internal controls for Ring-fencing had been documented for the purposes of this audit;
- conducted interviews and inquires to obtain an understanding of changes to the regulatory business activities and related compliance management approach;
- inspected supporting evidence which included policies, procedures and practices undertaken to embed Ring-fencing compliance measures during the regulatory period; and
- performed sample testing (where considered appropriate) to test effectiveness of the compliance measures for the regulatory period.



The following table provides a summary of procedures, observations, and findings for each Ring-fencing guideline requirement:

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
3 Prevention of cross subsidies			
3.1 Legal Separation	Power and Water has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
3.2.1 Separate Accounts 3.2.2 Cost allocation and attribution	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> • Cost Allocation Methodology (CAM) as approved by the AER • Cost Allocation Management Program and Principles • Accounting and Cost Allocation Procedure • AER Ring Fencing Information Sharing Register published on the website • AER Ring Fencing Information Sharing Protocol published on the website • Established process for reviewing, updating, and maintaining the accuracy of information contained in the information sharing register <p>Detective control</p> <ul style="list-style-type: none"> • Cost Allocation Model reviewed and validated annually by an external regulatory consultant. 	<ul style="list-style-type: none"> • We obtained and inspected the Cost Allocation Methodology (CAM) approved by the AER to verify its existence. • Performed a walkthrough of the CAM to test the integrity and validate the CAM applied is consistent to that approved by the AER. • Inquired with management if any changes were made to the CAM • Inspected the cost allocation accounting procedure manual and performed the following: <ul style="list-style-type: none"> ○ Selected a sample of monthly CAM's and related accounting journals validate the CAM is applied ○ Tested CAM journal sample for procedural compliance, ensuring journals were appropriately approved. • Accessed Power and Water's Ring-fencing website to sight the publication of its information sharing protocol. • Inspected Power and Water's information sharing 	<p>Based on our inquiries of management and walkthrough performed, no changes were made to the AER approved CAM during the reporting period.</p> <p>No exceptions were identified in our testing of the application of the monthly CAM processed.</p> <p>Cost allocation procedure manual was finalised and approved by Power and Water on 20 January 2022.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
		<p>register published on its website to test it contains an established process for maintaining the information sharing register.</p>	
4 Functional Separation			
<p>4.1 Obligation to not discriminate (B and C)</p>	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> ● AER Ring-fencing website (external facing) ● AER ring fencing guidelines Fact Sheet (external facing) ● Mandatory online training on AER ring fencing in ELMO system ● AER Ring-Fencing Explanatory Guide (internal facing) outlines that the assessment of contestable services. ● AER ring fencing guidelines Fact Sheet (internal facing) ● Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines. ● Contracts with external service providers that include standard terms and conditions ● Procurement templates approved by Legal for the use of all procurement activities. ● Enterprise electronic document management system, content manager has access restrictions on sensitive records 	<ul style="list-style-type: none"> ● Accessed Power and Water’s Ring-fencing website to sight the publication of Ring-fencing guidelines / protocols. ● Inspected Power and Water’s online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period. ● Obtained and inspected Power and Water’s internal facing guideline for assessment of contestable services. ● Inspected Power and Water’s revised Conditions of Contract updated on 1 July 2021 for confirmation that relevant Ring-fencing clauses have been included. We selected a sample of procurements from 1 July 2021 to 2 February 2022 to validate: <ul style="list-style-type: none"> ○ the revised Conditions of Contract is being used in new procurement contract terms ○ Standard procurement templates were used ○ compliance checklists completed. ● Performed a walkthrough on restricting access to procurement documentation in Content Manager and tested a sample of Content Manager folders to confirm restricted access. 	<p>Staff training compliance</p> <p>Mandatory training was implemented in December 2020. Inspection and testing of training completion records showed that 93.98% of staff completed the annual Ring-fencing training module.</p> <p>We noted from inquiries that 6.02% of staff did not complete the training module due to staff movements within the organisation.</p> <p>Further comprehensive training has been developed however has not yet been rolled out across the organisation.</p> <p>Procurement testing outcomes</p> <p>Procurement testing performed noted some instances in which the revised conditions of contract were not included. These were because of the following:</p> <ul style="list-style-type: none"> - additional acquisition under an existing arrangement which did not have the Ring-fencing clause included; - disclosed in procurement plan that Ring-fencing clause is not relevant for the procurement activity; or - where Power and Water are in direct negotiations with a service provider to accept the Tenderer's Conditions of Contract then unlikely the Ring-fencing clause will be approved where not relevant.

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	Detective controls <ul style="list-style-type: none"> Governance Team specifically around procurement activities that undertake process compliance checklists. 		<p>Power and Water have applied for a waiver from this clause to allow time to determine a pragmatic approach for implementing grandfathering arrangements for contracts requiring renewal or variation.</p> <p>Sample testing of restricting access of procurement documents within Content Manager appeared to be operating effectively as all user access is managed via approvals.</p>
4.2.1 Physical separation / co-location	Power and Water Corporation has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
4.2.2 Staff sharing	Power and Water Corporation has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
4.2.3 Branding and cross-promotion	Power and Water Corporation has been provided with derogation in relation to this obligation under clause 6.17.1B(a) of the NT NER. For this reason, no further work has been performed by KPMG.		
4.2.4 Office and staff registers	Power and Water has the following Preventative controls <ul style="list-style-type: none"> AER Ring-fencing website (external facing) Mandatory online training on AER ring fencing in ELMO system AER Ring Fencing Staff and Office sharing Register published on the website. Established process for reviewing, updating, and maintaining the accuracy of information contained in the staff and 	<ul style="list-style-type: none"> Inspected Power and Water’s Ring-fencing website to test accessibility of Ring-fencing guidelines / protocols. Inspected Power and Water’s online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period. Inspected Power and Water’s staff and office sharing register to test it is published on the website and established process to maintain the register. 	<p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Staff and office sharing register</p> <p>Staff and office sharing register maintained on Power and Water’s website, however we note there had been no records captured in the Register as a result of the derogation of clause 4.2.2. Power and Water has applied for a waiver from maintaining a staff and office sharing register, and this has not yet been approved by the AER.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	office sharing registers.		
4.3.2 Protection of confidential information	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> • AER Ring-fencing website (external facing) • AER ring fencing guidelines Fact Sheet (external facing) • Mandatory online training on AER ring fencing in ELMO system • AER Ring Fencing Information Sharing Register published on the website • AER Ring Fencing Information Sharing Protocol published on the website • Established process for reviewing, updating, and maintaining the accuracy of information contained in the information sharing register • Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines. • Contracts with external service providers that include standard terms and conditions • Records and Information Management 	<ul style="list-style-type: none"> • Inspected Power and Water’s Ring-fencing website to test accessibility of Ring-fencing guidelines / protocols. • Inspected Power and Water’s online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period. • Inspected Power and Water’s revised Conditions of Contract updated on 1 July 2021 for confirmation that relevant Ring-fencing clauses have been included. We selected a sample of procurements from 1 July 2021 to 2 February 2022 to validate: <ul style="list-style-type: none"> ○ the revised Conditions of Contract is being used in new procurement contract terms ○ standard procurement templates were used ○ compliance checklists completed. • Performed a walkthrough on access controls which relate to ring fencing requirements for the Retail Management System (RMS) and tested a sample of users from RMS to confirm restricted access • Performed a walkthrough and tested a sample on access controls over Power and Water Electronic Document Management System (EDMS) which 	<p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Procurement testing outcomes</p> <p>Refer to procurement testing outcomes listed under clause 4.1 above.</p> <p>RMS Access Control testing</p> <p>From the sample selected and tested for user access control testing we noted a single user did not have the appropriate approvals prior to the creation of the RMS user account.</p> <p>Operational Audit program</p> <p>An operational audit program was adopted by the metering team to conduct frequent audits to improve operational design and effectiveness. The operational audit program was rolled out during February 2022 (therefore subsequent to the current regulatory reporting period end).</p> <p>EDMS</p> <p>From the sample selected, user access controls over the EDMS (also known as TRIM) appeared to be operating effectively. Furthermore, our testing validated that checks performed by the Records and Information Management Unit which includes daily movement reports from various systems for cross verification was</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an Electronic Document Management System with access controls around confidential information.</p> <ul style="list-style-type: none"> Established process for Data delivery during settlements. Metering team responsible for the Security of metering data procedure which includes, password protection for interval meters, System for meter reads and secure front end. Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy. Customer Experience and Operations on boarding process which includes a briefing on Ring-fencing <p>Detective controls</p> <ul style="list-style-type: none"> Operational Audit program for metering operations Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail 	<p>relate to ring fencing requirements from the daily movement reports maintained by the Records and Information Management Unit.</p> <ul style="list-style-type: none"> Performed a walkthrough over management processes on monthly metering data sent to retailers (i.e., Jacana Energy, Rimfire and Q Energy) via Message Queue (managed by Norther Territory Government’s Department of Corporate Digital and Development). Performed a walkthrough of a bi-annual review of RMS users with the customer experience team to validate that the design of restricted access is working as intended. Performed a walkthrough over management process for remediation actions undertaken in the event of a breach of customer meter data. Tested a sample of daily movement reports from the Records and Information Management Unit to confirm restricted access to specific users. Inspected the presentation slides as part of the Customer experience “On-Boarding Presentation” to ensure that the information within highlights requirements about Ring-fencing. Performed a walkthrough over management access controls to validate password protection requirements within MV90 system that relate to metering. Performed a walkthrough over user account creation within MV90 system for access controls that relate to metering. Performed a walkthrough over the secure front-end platform within MV90 system for access 	<p>conducted accordingly.</p> <p>No exceptions were noted.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	Management System	<p>controls that relate to metering.</p> <ul style="list-style-type: none"> Performed a walkthrough over the operational audit program for metering implemented. 	
4.3.3 Disclosure of information	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> AER Ring-fencing website (external facing) AER ring fencing guidelines Fact Sheet (external facing) Mandatory online training on AER ring fencing in ELMO system Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines. Contracts with external service providers that include standard terms and conditions Access to metering data procedure Third Party Access request for data procedure Delivery of metering data procedure Records and Information Management Function responsible for the protection of confidential information administering an Information Management Standard, a request for Information Procedure and an 	<ul style="list-style-type: none"> Inspected Power and Water’s Ring-fencing website to test for accessibility of Ring-fencing guidelines / protocols. Inspected Power and Water’s online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period. Inspected Power and Water’s revised Conditions of Contract on 1 July 2021 for confirmation these include relevant Ring-fencing clauses. We selected a sample of procurements from 1 July 2021 to 2 February 2022 to validate: <ul style="list-style-type: none"> the revised Conditions of is being used in new procurement contract terms standard procurement templates were used compliance checklists completed. Performed a walkthrough on access controls which relate to ring fencing requirements for RMS and tested a sample of users from RMS to confirm restricted access. Performed a walkthrough on access controls which relate to Ring-fencing requirements from the daily movement reports from Records and Information Management Unit. 	<p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Specific Customer Experience “On-Boarding Presentation” is delivered to new staff which highlight clauses / requirements for Ring-fencing.</p> <p>Procurement testing outcomes</p> <p>Refer to procurement testing outcomes listed under clause 4.1 above</p> <p>RMS Access Control testing</p> <p>Refer to outcome under clause 4.3.2 above.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>Electronic Document Management System with access controls around confidential information.</p> <ul style="list-style-type: none"> Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy. ICT System Retail management system with access controls <p>Detective controls</p> <ul style="list-style-type: none"> Operational Audit program for metering operations Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification Customer Experience and Operations Quality Assurance Officer responsible for undertaking user access audit of Retail Management System 	<ul style="list-style-type: none"> Performed a walkthrough on monthly metering data sent to retailers (i.e., Jacana Energy, Rimfire and Q Energy) via Message Queue (managed by the Northern Territory Government’s Department of Corporate Digital and Development). Performed a walkthrough of a bi-annual review of RMS users with the customer experience team to validate that the design of restricted access is working as intended. Performed a walkthrough for remediation actions undertaken in the event of a breach of customer meter data. Performed a walkthrough for operational audit program for metering operations to understand continuous improvement efforts by Power and Water. Tested a sample of daily movement reports from Records and Information Management Unit to confirm restricted access. Inspected the presentation slides as part of the Customer experience “On-Boarding Presentation” to ensure that the information within highlight particular clauses / requirements of Ring-fencing. Performed a walkthrough over management access controls to validate password protection requirements within MV90 system that relate to metering. Performed a walkthrough over user account creation within MV90 system for access controls that relate to metering. 	

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
		<ul style="list-style-type: none"> Performed a walkthrough over the secure front-end platform within MV90 system for access controls that relate to metering. 	
4.3.4 Sharing of information	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> AER Ring-fencing website (external facing) AER ring fencing guidelines Fact Sheet (external facing) Mandatory online training on AER ring fencing in ELMO system AER Ring Fencing Information Sharing Register published on the website AER Ring Fencing Information Sharing Protocol published on the website Established process for reviewing, updating, and maintaining the accuracy of information contained in the information sharing register AER Ring fencing Guideline Accounting and Cost Allocation Procedures Standard Conditions of Contract Suite with contract clauses to ensure compliance with AER ring fencing guidelines. Contracts with external service providers that include standard terms and 	<ul style="list-style-type: none"> Inspected Power and Water’s Ring-fencing website to test accessibility of Ring-fencing guidelines / protocols. Inspected Power and Water’s online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period. Inspected Power and Water’s Information Sharing Protocols is accessible on their website. Inspected Power and Water’s information sharing register published on its website contains an established process for maintaining the information sharing register. Inspected Power and Water’s revised Conditions on Contract on 1 July 2021 for confirmation these include relevant Ring-fencing clauses. We selected a sample of procurements from 1 July 2021 to 2 February 2022 to validate: <ul style="list-style-type: none"> the revised Conditions of Contract is being used in new procurement contract terms standard procurement templates were used for the sample selected compliance checklists completed for the sample selected 	<p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Specific Customer Experience “On-Boarding Presentation” is delivered to new staff which highlight clauses / requirements for Ring-fencing.</p> <p>Procurement testing outcomes</p> <p>Refer to procurement testing outcomes listed under clause 4.1 above.</p> <p>RMS Access Control testing</p> <p>Refer to outcome under clause 4.3.2 above.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>conditions</p> <ul style="list-style-type: none"> • Metering team responsible for the access to metering data procedure, third party access request for data procedure and delivery of metering data procedure. • Business to Business Procedure which outlines interactions between Power and Water and Jacana Energy. • ICT System Retail management system with access controls <p>Detective controls</p> <ul style="list-style-type: none"> • Operational Audit program for metering operations • Electronic Document Management System user access audit and checks by Records and Information Management Unit which includes a Daily movement reports from various systems for cross verification • Customer Experience and Operations Billing Specialists responsible for checking information disclosed. 	<ul style="list-style-type: none"> • Performed a walkthrough on access controls which relate to ring fencing requirements for Retail Management System (RMS) and tested a sample of users from RMS to confirm restricted access. • Performed a walkthrough on access controls which relate to ring fencing requirements from the daily movement reports from Records Management Unit . • Performed a walkthrough on monthly metering data sent to retailers (i.e., Jacana Energy, Rimfire and Q Energy) via Message Queue (managed by Department of Corporate Digital and Development). • Performed a walkthrough of a bi-annual review of Retail Management System (RMS) users with the customer experience team to validate that the design of restricted access is working as intended. • Performed a walkthrough for remediation actions undertaken in the event of a breach of customer meter data. • Performed a walkthrough for operational audit program for metering operations to understand continuous improvement efforts by Power and Water. • Tested a sample of daily movement reports from Records and Information Management Unit to confirm restricted access. • Inspected the presentation slides as part of the Customer experience “On-Boarding 	

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
		<p>Presentation" to ensure that the information within highlight particular clauses / requirements of Ring-fencing.</p> <ul style="list-style-type: none"> • Performed a walkthrough over management access controls to validate password protection requirements within MV90 system that relate to metering. • Performed a walkthrough over user account creation within MV90 system for access controls that relate to metering. • Performed a walkthrough over the secure front-end platform within MV90 system for access controls that relate to metering. 	
4.3.5 Information register	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> • AER Ring-fencing website (external facing) • Mandatory online training on AER ring fencing in ELMO system • AER Ring Fencing Information Sharing Register published on the website • AER Ring Fencing Information Sharing Protocol published on the website. • Established process for reviewing, updating, and maintaining the accuracy of information contained in the information sharing register 	<ul style="list-style-type: none"> • Inspected Power and Water's Ring-fencing website to test accessibility of Ring-fencing guidelines / protocols. • Inspected Power and Water's online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period. • Inspected Power and Water's Information Sharing Protocols is accessible on their website. • Inspected Power and Water's information sharing register published on its website to test it contains an established process for maintaining the information sharing register. 	<p>Register testing</p> <p>Refer to outcome listed under clause 4.2.4 above.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
4.4 Service providers	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> • Standard conditions of contract suite with contract clauses to ensure compliance with AER ring fencing guidelines • Contracts with external service providers that include standard terms and conditions • AER Ring-fencing website (external facing) • AER ring fencing guidelines Fact Sheet (external facing) • Mandatory online training on AER ring fencing in ELMO system • AER Ring-Fencing Explanatory Guide (internal facing) outlines that the assessment of contestable services • AER ring fencing guidelines Fact Sheet (internal facing) • Procurement templates approved by Legal for the use of all procurement activities. • Enterprise electronic document management system, Content Manager, has access restrictions on sensitive records. <p>Detective controls</p>	<ul style="list-style-type: none"> • Inspected Power and Water’s revised Conditions of Contract on 1 July 2021 for confirmation these include relevant Ring-fencing clauses. We selected a sample of procurements from 1 July 2021 to 2 February 2022 to validate: <ul style="list-style-type: none"> ○ the revised Conditions of Contract is being used in new procurement contract terms ○ standard procurement templates were used for the sample selected ○ compliance checklists completed for the sample selected • Inspected Power and Water’s Ring-fencing website to test accessibility of Ring-fencing guidelines / protocols. • Inspected Power and Water’s online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period. • Inspected Power and Water’s Information Sharing Protocols to test that it is accessible on their website. • Inspected Power and Water’s information sharing register published on its website to test it contains an established process for maintaining the information sharing register. 	<p>Procurement testing outcomes</p> <p>Refer to procurement testing outcomes listed under clause 4.1 above</p> <p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> Governance Team undertakes a process compliance checklist for procurement activities. 		
5 Waivers			
5 Waivers	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> Under the derogations in place for the NT, the waivers have not been actively developed however a waiver register and procedure is in place. A Ring-fencing Waiver Register outlines all waivers and is published on the Power and Water's Ring-fencing webpage. A Ring-fencing Waiver Register procedure outline the process for maintaining the register. 	<ul style="list-style-type: none"> Inspected Power and Water's procedure document to establish and maintain the waiver register, and inspected the waiver register. Inspected Power and Water's Ring-fencing website to test accessibility of Ring-fencing guidelines / protocols. Inspected waiver application and supporting documentation to ensure all relevant information and materials support the application. 	<p>The waiver application submitted by Power and Water to the AER addressed relevant information.</p> <p>We note that waivers were requested for Clauses:</p> <ul style="list-style-type: none"> 4.2.4 Office and staff registers 4.4.1(a) Conduct of service providers 6.2.3(a) a new clause under Guideline Version 3. <p>These are still pending approval by the AER, therefore not listed in the waiver register.</p>
6 Compliance and Enforcement			
6.1 Maintaining compliance	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> Compliance Obligation Register that outlines controls including procedures for maintaining compliance with the guideline against each area of responsibility. General compliance training for all employees including management to include AER Ring-Fencing breach 	<ul style="list-style-type: none"> We have obtained and inspected the obligation register which outlines the controls with the respective risk owners. Inspected the list of attendees for the general compliance training and compared to listing of employees to verify that this list comprises of all employees and management. Inspected Power and Water's online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed 	<p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>In addition to the mandatory training listed in ELMO tested above, Power and Water also delivered general Ring-fencing training in person to its Management group.</p> <p>Periodic compliance attestation process and compliance control effectiveness</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>definitions in training delivered by Compliance team.</p> <ul style="list-style-type: none"> On boarding process which includes training on Ring-fencing obligations delivered via the ELMO System and completion rates monitored via system reporting. <p>Detective controls</p> <ul style="list-style-type: none"> Periodic compliance review process of guideline obligations outlined in the compliance obligation management procedure. Periodic compliance attestation process of current levels of compliance and control effectiveness outlined in the compliance attestation procedure. <p>Corrective controls</p> <ul style="list-style-type: none"> Non-compliance reporting procedure and system that captures and monitors reported non-compliance, outlines steps for reporting and requirements for investigation and corrective action. 	<p>Ring-fencing guidelines and training completion records across Power and Water for the reporting period.</p> <ul style="list-style-type: none"> Performed a walkthrough on Promapp system and the Health Environment Risk Compliance Safety (HERCS) system for monitoring of non-compliances. Obtain and inspect the annual compliance reports declared by managers as part of the Ring-fencing compliance obligations by the business unit. This is performed to validate the compliance attestation process. 	<p>Through the inspection of the annual compliance reports declared by managers, we have noted that the control is performed annually for the period between 1 July 2020 till 30 June 2021.</p> <p>The remaining 7 months of the regulatory period did not have any attestation declarations.</p> <p>Furthermore, we have noted that the declarations and controls are not tested and validated by the compliance function within Power and Water.</p>
6.2 Compliance reporting	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> Compliance reporting template designed to report compliance with the Guideline in line with the compliance reporting best practice manual. 	<ul style="list-style-type: none"> Obtained Power and Water's compliance report to the AER and inspected the report for compliance. Inspected the obligation register which outlines the controls with the respective risk owners. Inspected the list of attendees for the general 	<p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Periodic compliance attestation process and compliance control effectiveness</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> Compliance Obligation Register that outlines controls, control effectiveness and levels of compliance for each guideline element against each area of responsibility. This register is used to produce reports on levels of compliance and control effectiveness. <p>Detective controls</p> <ul style="list-style-type: none"> Periodic compliance review process of guideline obligations outlined in the compliance obligation management procedure to determine levels of compliance and control effectiveness for reporting. <p>Corrective controls</p> <ul style="list-style-type: none"> Non-compliance reporting procedure and system that captures and monitors reported non-compliance for the purpose of reporting to management and the AER. 	<p>compliance training and compared to listing of employees to verify that this list comprises of all employees and management.</p> <ul style="list-style-type: none"> Inspected Power and Water’s online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period. Performed a walkthrough on Promapp system and the Health Environment Risk Compliance Safety (HERCS) system for monitoring of non-compliances. 	<p>Refer to outcome reported under clause 6.1</p>
6.2.1 Annual compliance report	<p>Power and Water has the following</p> <p>Preventative controls</p> <ul style="list-style-type: none"> Compliance reporting template designed to report compliance with the Guideline in line with the compliance reporting best practice manual. Compliance Obligation Register that outlines controls, control effectiveness and levels of compliance for each 	<ul style="list-style-type: none"> Obtained Power and Water’s compliance report to the AER and inspected this report to ensure it captures required aspects of clause 6.2.1 such as reported breaches, nature of transactions, measures taken to comply with its obligations under the Guideline and all other services provided by the DNSP. Obtained and inspected Power and Water’s Compliance Obligation Register which outlines 	<p>Power and Water’s Compliance Obligation Register</p> <p>The Register is maintained by the Compliance team within Power and Water and updated when a change is noted through the periodic compliance attestation process or if a breach is reported in Promapp.</p> <p>Periodic compliance attestation process and compliance control effectiveness</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>guideline element against each area of responsibility. This register is used to produce reports on levels of compliance and control effectiveness.</p> <p>Detective controls</p> <ul style="list-style-type: none"> Periodic compliance review process of guideline obligations outlined in the compliance obligation management procedure to determine levels of compliance and control effectiveness for reporting. <p>Corrective controls</p> <ul style="list-style-type: none"> Non-compliance reporting procedure and system that captures and monitors reported non-compliance for the purpose of reporting to the Management and AER. 	<p>Ring-fencing controls in place with the respective risk owners and levels of compliance and control effectiveness.</p> <ul style="list-style-type: none"> Performed a walkthrough on Promapp system and the Health Environment Risk Compliance Safety (HERCS) system for monitoring of non-compliances (breaches). Inspected Power and Water’s Ring-fencing breach register for all known breaches. 	<p>Refer to outcome reported under clause 6.1</p>
6.3 Compliance breaches	<p>Power and Water has the following Preventative controls</p> <ul style="list-style-type: none"> Compliance Obligation Register that outlines Guideline compliance against each area of responsibility. General compliance training for all employees and management to include AER Ring-Fencing breach definitions in training delivered by Compliance team. On boarding process which includes training on Ring-fencing obligations delivered via the ELMO System and completion rates monitored via system 	<ul style="list-style-type: none"> Inspected the obligation register which outlines the controls with the respective risk owners. Inspected the list of attendees for the general compliance training to verify that this list comprises of all employees and management. Inspected Power and Water’s online training portal (ELMO) for Ring-fencing training materials in place, assessed training content addressed Ring-fencing guidelines and training completion records across Power and Water for the reporting period. Performed a walkthrough on Promapp system and the Health Environment Risk Compliance 	<p>Staff training compliance</p> <p>Refer to staff training outcomes listed under clause 4.1 above.</p> <p>Periodic compliance attestation process</p> <p>Refer to outcome reported under clause 6.1</p> <p>Breach reporting</p> <p>Power and Water reports its non-compliance via its internal compliance system – Promapp, which is being replaced by HERCS (Health Environment Risk Compliance Safety) system in 2022. Ring-fencing breaches are reported via the compliance system – there were no material breaches identified and reported to the AER</p>

Compliance requirement Category	Management Controls and Measures	Procedures performed	Observations / findings
	<p>reporting.</p> <p>Detective controls</p> <ul style="list-style-type: none"> • Periodic compliance review process of guideline obligations outlined in the compliance obligation management procedure. • Periodic compliance attestation process of current levels of compliance and control effectiveness outlined in the compliance attestation procedure. <p>Corrective controls</p> <ul style="list-style-type: none"> • Non-compliance reporting procedure and system that captures and monitors reported non-compliance, outlines steps for reporting and requirements for investigation and corrective action. 	<p>Safety (HERCS) system for monitoring of non-compliances.</p> <ul style="list-style-type: none"> • Inspected the annual compliance reports declared by managers as part of the Ring-fencing compliance obligations by the business unit. This is performed to validate the compliance attestation process. 	<p>during the reporting period.</p> <p>Power and Water reported all breaches in its Annual Ring-fencing Compliance Report to the AER.</p>
6.4 Complaints and investigations	<p>Power and Water has the following Corrective controls</p> <ul style="list-style-type: none"> • Regulation, Economics and Pricing engage regularly with the AER and are responsible for responding to a complaint or concern the AER raises about compliance with this Guideline. <p>The non-compliance reporting procedure is applied in situations where the complaint or concern results in a breach.</p>	<ul style="list-style-type: none"> • Performed inquiries with the Senior Regulation Analyst and Risk and Compliance Principal to understand if there were any complaints made during the regulatory period. • Corroborated inquiries by reviewing the correspondence to/from the AER. 	<p>No complaints were noted from the procedures performed.</p>

Appendix B – Summary of performance improvement observations

In this section, we present additional details on performance improvement observations in relation to Power and Water’s compliance activities for the regulatory period 1 July 2020 to 2 February 2022 (RY2021). This information has been provided at the request of the AER.

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our opinion or conclusion reported in the Independent Reasonable Assurance Report.

No	RY2021 Recommendation	Management’s responses
1	<p>Periodic compliance attestation process</p> <p>The current attestation process is completed annually every 30 June to align with Power and Water’s financial year end. Version 3 of the Ring-fencing Guideline changes the reporting period to a calendar year, therefore we recommend for management to complete an additional compliance attestation process in December to align with the Ring-fencing regulatory year.</p>	<p>Owner: Organisational Governance - Regulatory Compliance Officer Due Date 1: 31 August 2022 Due Date 2: 28 February 2023</p> <p>Management accept this recommendation and commit to implement at a minimum, an attestation of ring-fencing compliance that occurs twice a year in</p> <ol style="list-style-type: none"> 1. June; and 2. December of each year.
2	<p>Periodic reviews of Ring-fencing controls</p> <p>With Ring-fencing controls being identified and implemented across Power and Water, we recommend a formal review process be performed and managed by the Compliance team to ensure controls are in place, operating effectively and are relevant to Ring-fencing.</p>	<p>Owner: Organisational Governance - Regulatory Compliance Officer Due Date 1: 1 November 2022 Due Date 2: 1 December 2022</p> <p>Management accept this recommendation and commit to</p> <ol style="list-style-type: none"> 1. Establish a control verification procedure; and 2. Ensure sufficient compliance resource to undertake periodic verification of ring-fencing controls.
3	<p>Periodic review of RMS</p> <p>Periodic internal reviews of system user access for RMS is recommended to strengthen policy and procedural compliance, and root causes of incidents are identified and dealt with in an appropriate manner.</p>	<p>Owner: Information Communication Technology - Service Delivery Due Date: Complete</p> <p>Management accept the sample has identified an exception where a single user had a single management approval instead of a double management approval as with others sampled. Management have identified this is due to an improvement in the</p>

No	RY2021 Recommendation	Management's responses
		<p>RMS approval process that was implemented in November 2021 to add the second level of approval. As the sampled item occurred before that improvement had been implemented, with regards to the exception the control functioned as designed.</p> <p>Management accept the recommendation and have established monthly user audit of RMS and other systems with the most recent audit completed in April 2022.</p>
4	<p>Breach identification assessment process Management performed an internal review into Ring-fencing controls during the regulatory period and have implemented improvement actions within the Promapp system in response to findings identified.</p> <p>However, we recommend management develop a formal documented process for assessing findings or potential instances of non-compliance that could result in a breach of the Ring-fencing guidelines. This will enable management to document breaches or potential breaches to assess materiality, remediation actions and will assist with timely reporting to the AER, where relevant.</p> <p>Where a breach does occur, we further recommend management assess the breach for lessons learnt and share that with relevant staff.</p>	<p>Owner: Organisational Governance - Regulatory Compliance Officer Due Date 1: 1 July 2022 Due Date 2: 1 November 2022</p> <p>Management accept this recommendation and commit to</p> <ol style="list-style-type: none"> 1. Undertake materiality assessment against all identified ring-fencing breaches in our incident management system; and 2. Update enterprise non-compliance management documentation to include <ol style="list-style-type: none"> a. instructions for the materiality assessment of potential instances of non-compliance with the Ring-fencing guidelines b. Requirements for the assessment and communication of lessons learnt from non-compliance incidents.
5	<p>Management plan in relation to Ring-fencing</p> <p>We acknowledge Management's efforts to date in implementing controls relating to Ring-fencing and embedding these controls in the annual attestation process.</p> <p>While there has been progress with implementing Ring-fencing controls, further maturity is required within the business to uplift Ring-fencing compliance.</p> <p>We recommend implementing a management plan which should be owned and managed by each business segment within Power and Water to further identify and implement Ring-fencing controls which will promote and support the training provided to staff.</p>	<p>Owner: Organisational Governance - Regulatory Compliance Officer Due Date: 1 October 2022</p> <p>Management accept this recommendation and commit to</p> <ol style="list-style-type: none"> 1. Establish a management plan to continuously improve ring-fencing controls.



No	RY2021 Recommendation	Management's responses
6	<p>Targeted training to provide to Ring-fenced areas</p> <p>Acknowledging Power and Water's efforts to deliver Ring-fencing training to staff over the regulatory period, further targeted practical training is required for the relevant areas within Power and Water.</p> <p>We recommend target training with real-life scenarios be delivered to relevant areas within Power and Water to uplift education and compliance within the organisation.</p>	<p>Owner: Organisational Governance - Regulatory Compliance Officer Due Date 1: 1 May 2023 Due Date 2: 1 June 2023</p> <p>Management accept this recommendation and commit to</p> <ol style="list-style-type: none">1. Developing targeted training with real-life scenarios to uplift education and compliance.2. Deliver training to ring-fenced areas.