

2019-20 Ring-Fencing Compliance Report

AER Ring-Fencing Guidelines



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1. Introduction

1.1. Background

The Australian Energy Regulator (AER) released its current version of Ring-fencing Guideline (Guideline) in October 2017. The Guideline was developed as a requirement under rule 6.17.2 of the National Electricity Rules (NER) and is binding on all distribution network service providers (DNSPs).

The Guideline seeks to promote competition in the provision of electricity services, whilst preventing DNSPs from providing their affiliates, operating in unregulated markets, from having an unfair advantage.

As of 1 January 2018, DNSPs were required to fully comply with each of the obligations under the Guideline in respect of its existing services. As of 1 January 2018, there was an expectation that all DNSPs were compliant to the Guideline.

Power and Water Corporation (Power and Water) has historically been governed by the Utilities Commission Ring Fencing Code (UC Code). On 1 July 2019, Power and Water as the regulated DNSP adopted the National Electricity Rules - as enforce in the Northern Territory (NT NER). As such, Power and Water as the DNSP must now comply with the AER Guidelines and the obligations as set out in Chapter 6 of the NT NER.

Due to the nature of the broad operations of Power and Water, not all of the Guideline provisions apply. Rule 6.17.1B of the NT NER outlines the clauses of the Guideline that do not currently apply. Further information on the application of the Guideline in the Northern Territory is outlined in Section 2 of this report.

This report has been prepared having regards to the principles set out in Clause 4.1.1 of the AER Electricity Distribution Ring-fencing Guideline – Compliance reporting best practice manual (version 2, July 2019). That is, the AER “encourage[s] DNSPs to adhere to the following principles when writing their annual compliance reports:

- *Report on specific measures, areas of the business, or challenges, rather than describing compliance measures in general, vague, or abstracted terms.*
- *Hone-in reporting on areas of the business that carry greater risk of breaches of the Guideline or which have experienced breaches over the course of the regulatory year and focus reporting on those areas.*
- *Avoid jargon and technical language where possible and keep compliance reporting clear and as ‘plain English’ as possible.”*

1.2. Purpose

Section 6.2 of the Guideline requires Power and Water to prepare an annual ring-fencing compliance report, which is to be submitted to the AER for each regulatory year. The annual compliance report must identify and describe, in respect of the regulatory year to which the report relates:

- the measures Power and Water has taken to ensure compliance with its obligations under the Guideline
- any breaches of the Guideline by Power and Water, or which otherwise relate to Power and Water
- all other services provided by Power and Water in accordance with clause 3.1 of the Guideline; and
- the purpose of all transactions between Power and Water and a related electricity service provider.

The annual compliance report must also be accompanied by an assessment of compliance by a suitably qualified independent authority.

Power and Water has been in close discussions with the AER in regard to some of the complexities in interpreting and applying the amended Guideline to Power and Water in its first year of operation. This includes the approach to reporting. We agreed that Power and Water’s report should incorporate the following:

- An overview of Power and Water and its operations
- Considerations that Power and Water has taken to prepare and ensure compliance with its obligations under the Guideline
- Measures Power and Water has taken to plan and ensure compliance with its obligations under the Guideline

This report reflects our agreed focus and content as per the email correspondence with Moston Neck at the AER on 27th August 2020. In satisfying our obligations under the Guideline, this report represents Power and Water’s Annual Ring-fencing Compliance Report for the regulatory year ending 30 June 2020.



2. Ring-fencing applied in the NT

Power and Water is faced with a unique challenge of adhering to two separate ring-fencing instruments of power. As the DNSP, Power and Water is governed by the AER under the NT NER which includes obligations to comply with the AER's Guideline. Power and Water's operations are also governed by the [Utilities Commission and Electricity Ring-Fencing Code](#) (UC Code). However, recent changes introduced by the Utilities Commission have minimised the level of overlap and duplication between the two instruments.

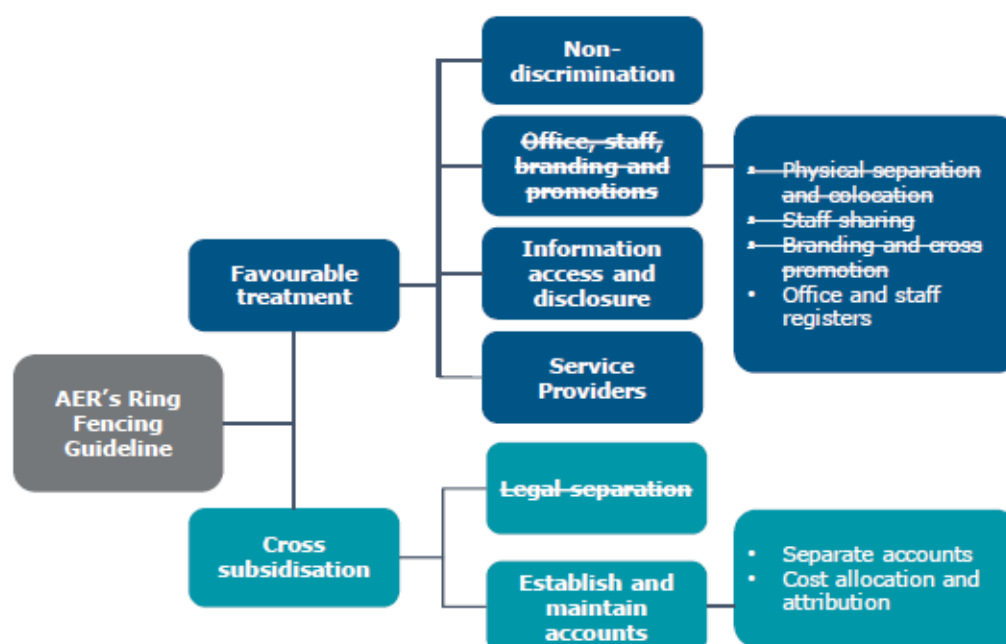
In respect of our obligations to the AER under the NT NER, the application of the Guideline for Power and Water is also limited by several derogations provided under the NT NER (clause 6.17.1B (a)). These derogations modify, and in some instances remove, several the requirements that apply to other DNSPs governed by the NER. For example, there is no obligation for Power and Water to:

- legally separate other services from its distribution services
- functionally separate its other distribution services or other electricity services from its distribution services.

A marked-up version of the Guideline indicating the various derogations applied to the Northern Territory is in Appendix 3.

The diagram below outlines the modified NT framework under the Guidelines.

Diagram 1: Modified NT ring-fencing framework under the Guidelines



In addition to the derogations enforced by the NT NER, there are several definition changes that are to be considered when adopting the Guideline. These include the following references:

- "non-distribution services" must be regarded as a reference to "other services" (cl. NT NER 6.17.1B(b))
- "affiliated entities" (in cl. 3.2.1(a) of the Guideline) must be regarded as a reference to "related electricity service providers" (NT NER 6.17.1B(c))
- "affiliated entities" (in cl. 6.2.1(B)(iv) of the Guideline) must be regarded as a reference to "related electricity service providers" (NT NER 6.17.1Bd))

While legal and functional separation do not apply, the Guideline still requires Power and Water to identify those entities or areas of the organisation that could be considered a related electricity service provider (RESP).



2.1. Compliance strategy by Guideline element

2.1.1. Prevention of cross subsidies

Legal Separation

Due to the nature of the broad operations of Power and Water, not all of the Guideline provisions apply.

Under rule 6.17.1B(a)(3) of the NT NER, clause 3.1 Legal Separation of the Guideline currently has no effect in the NT.

Establish and maintain accounts

Power and Water maintains appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP, its affiliated entities (or RESPs), and integrated electricity services.

During the regulatory year, Power and Water allocated or attributed costs to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved CAM as approved by the AER.

2.1.2. Functional separation

Whilst functional separation of staff does not apply to Power and Water under the derogations granted under rule 6.17.1 B, the Guideline has a requirement to not disclose confidential information except in specified circumstances. This creates challenges not only from a system perspective but in circumstances where common staff are used to deliver services or support.

Given the nature of the services provided under a separate form of regulatory oversight or as a community service obligation, and that competition for these services is unlikely to emerge, the risk of discrimination in sharing information is very low relative to the benefits that could be derived from the promotion of efficiencies or the avoidance of costs through the sharing of confidential information and by default, the staff involved in the management of that information in the delivery of services. It is considered that no consumer or market harms are anticipated to result.

Obligation not to discriminate

Power and Water takes its obligation not to discriminate in favour of its affiliates (or RESPs) seriously. This has been demonstrated through established standard contracts with consistent terms and conditions for use with both external entities and related parties to ensure that comparable terms are provided to all entities and that all parties comply with the UC Code.

Power and Water will continue to establish new preventative, detective and corrective controls, and improve existing controls to mature its approach to comply with the Guidelines.

Offices, staff, branding and promotions

Due to the nature of the broad operations of Power and Water, not all of the Guideline provisions apply.

Under rule 6.17.1B(a)(3) of the NT NER, clauses 4.2.1 Physical separation /co-location, 4.2.2 Staff sharing, and 4.2.3 Branding and cross-promotion of the Guideline currently have no effect in the NT.

Power and Water chooses to maintain and publish a [Register of Staff and Office Sharing](#) activities in accordance with clause 4.2.4 for transparency.

2.1.3. Information access and disclosure

Power and Water deploy confidentiality collateral to ensure staff are aware of the requirement to only use confidential information for its intended use and not to provide it to affiliated entities.

The Guideline introduces further requirements on how confidential information can be shared, especially with a RESP.



Power and Water engaged in communications with the AER prior to NT Guideline commencement in July 2019, regarding the interpretation and application of clause 4.3.3. Further to this exchange, the AER confirmed that:

- The intent of the Guideline is to prevent a RESP (an affiliate or part of a DNSP offering contestable electricity services) from gaining an advantage either by accessing confidential information or obtaining exclusive access to information not available to competitors of a DNSP's RESP
- Power and Water's provision of contestable electricity services (including negotiated or unregulated distribution services) from within the Power and Water legal entity, would need to be done in compliance with information access and disclosure requirements in the Guideline
- The Guideline does not prevent staff of Power and Water from accessing information about non-electricity services (e.g. water services). This information is not confidential information
- The exemption in clause 4.3.3(c) of the Guideline allows the sharing of confidential information within its business as a DNSP if this is necessary to provide its distribution services, its transmission services, or its other services. This was consistent with PWC's proposed interpretation
- Clause 4.3.4 of the Guideline continues to apply to Power and Water where the disclosure is not necessary to enable Power and Water to provide its distribution services, its transmission services, or its other services. That is, where a DNSP shares confidential information with a RESP, the DNSP must provide access to that confidential information to other legal entities on an equal basis (excluding to certain permitted circumstances under 4.3.3).

Power and Water has published and maintains an [Information Sharing Protocol and Information Sharing Register](#) on its website. The Information Sharing Protocol outlines the process of when Confidential Information is requested and disclosed, who it is can be provided to, the assessment made to disclose it and the consequential process if Power and Water receives a request from any third party to share such information as required under 4.3.4 of the Guideline.

Power and Water will continue to establish new preventative, detective and corrective controls, and improve existing controls to mature its approach to comply with the Guidelines.

2.1.4. Waivers

Section 5 of the Guideline allows for DNSPs to seek a waiver of obligation under Section 3.1, 4.2 and/or 4.4.1(a) of the Guideline if certain conditions are met.

Power and Water has established and maintains a [Waiver Register](#) (including any variations) granted by the AER on its website.

No waivers have been granted for the 2019-2020 regulatory year.

2.2. Application to different categories of services

Power and Water currently provide multiutility services across the NT, and as such not all of Power and Water's electricity service activities are regulated by the AER. The application of the Guideline must be considered in the context of the all the services Power and Water provides across its business. The Guideline includes derogations removing legal and functional separation requirements and as a result does not of itself preclude the centralisation of functions or the use of common staff or systems. In particular:

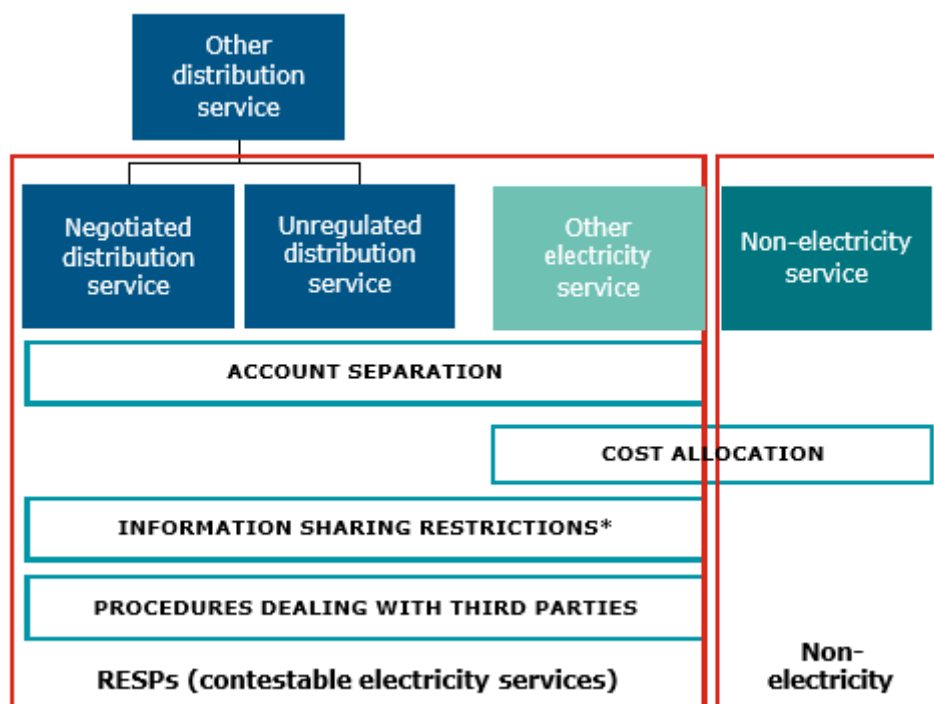
- Requirements to functionally and legally separate do not apply – the sharing of staff, premises, and co-branding in the delivery of services is permitted
- Power and Water's non-electricity services (e.g. water services and gas) are not captured as RESPs, and the AER has confirmed that the restrictions on the disclosure of confidential information are not relevant to the extent information is share for the purposes of providing those services (the UC Code requirement regarding cost allocation will apply).

The Guideline still places obligations on Power and Water in respect of compliance and reporting and sharing of information, particularly with respect to electricity services.

The following diagram identifies how the Guideline's obligations apply to Power and Water's RESPs and non-electricity services.



Diagram 2: Ring fencing obligations by service classification in the Northern Territory



* The AER, in communications with Power and Water in 2019, confirmed that:

To the extent that PWC offers non-electricity services, we agree with PWC's view that restrictions on disclosure of confidential information under clause 4.3 of the Guideline are not relevant. Staff providing these services can be considered to be part of the DNSP for the purpose of clause 4.3.3 of the Guideline, as they are not required to be legally separated. Clause 4.3.3 states that "A DNSP must not disclose confidential information to any person, including a related electricity service provider [RESP] ..."

2.3. Related electricity service providers (RESPs)

Under the Guideline, Power and Water's obligations are focussed toward areas of its business that could be considered RESPs. The Guideline captures other distribution services and other electricity services under the definition of contestable electricity services, and therefore lines of business, or affiliated entities providing these services are treated as RESPs. While the definition refers to "contestable" services, it is in fact neutral as to whether or not the other distribution service or other electricity service is provided in a competitive market or whether there is the potential for such a market to develop.

Power and Water's direct control services (standard control services and alternative control services) and non-electricity services (e.g. water) are excluded from the definition of contestable electricity services and are not captured as RESPs, although the UC Code requirement regarding cost allocation will apply. Power and Water will also need to have regard to obligations under the UC Code with respect to information sharing (subject to exemptions), where considering the disclosure of information to those carrying out other distribution and other electricity services (i.e. those services defined as contestable electricity services).

The Guideline requires Power and Water to:

- Establish and maintain internal accounting procedures so the activities of, and transactions with, RESPs are identifiable and able to be reported upon request
- Apply appropriate cost allocation and attribution between distribution services and other services (i.e. other electricity and non-electricity).
- Not discriminate in favour of a RESP



- Keep confidential information confidential and limit information disclosure and sharing, including with its RESPs.

When identifying the service activities that constitute a RESP for Power and Water in the context of the Guideline, it is important to understand that the following definitions are key:

- In relation to a DNSP, as RESP includes:
 - an affiliated entity of the DNSP; and
 - the part of the DNSP,

that provides contestable electricity services but excludes a part of an affiliated entity that provides direct control services.

This applies the concept of a RESP to areas of Power and Water as the DNSP and its affiliates (e.g. related legal entities such as IES) that provide contestable electricity services.

- Contestable electricity services mean:
 - other distribution services; and
 - other electricity services
- Other electricity services mean:
 - services for the supply of electricity or that are necessary or incidental to the supply of electricity, other than transmission services; or
 - distribution services
- Other distribution services mean:
 - distribution services other than direct control services. This captures negotiated and unregulated distribution services but excludes standard control services and alternative control services as these are direct control services.

2.4. Other services

As a multi-utility entity, Power and Water transmits and distributes electricity, and provides water and sewerage services across the Northern Territory.

Power and Water:

- owns and operates regulated, unregulated, and isolated transmission and distribution network infrastructure
- acts as the system controller in the Northern Territory and is responsible for real time operations, operations planning, power system technical assessments, incident reviews, and operational and technical regulatory reporting for the market
- provides water services to 18 major and minor urban centres and 72 remote communities across the Northern Territory, operating and maintaining water and sewerage mains
- supports remote communities across the Northern Territory with electricity, water, and sewerage services under its not-for-profit subsidiary, IES. IES also provides infill and headworks for major projects for the Department of Local Government, Housing and Community Development (DLGHCD) under the Remote Housing Program.

To identify areas of Power and Water that could be considered as a RESP and consistent with the definition of a RESP in the Guideline, it is important to understand:

- the services that Power and Water provides across its entire portfolio
- the entities, business units or teams involved in the provision of those services

Appendix 2 identified the:

- services currently provided by Power and Water as a multi-utility.
- classification of distribution services applied by the AER to Power and Water in the current regulatory period. This reflects the classification outlined in the AER's Framework and Approach and confirmed in the AER's Final Decision. It is noted that Power and Water accepted the AER's proposed classification through the determination process



- likely regulatory treatment of the other services it provides (other electricity and non-electricity). Although the AER does not classify services that it does not regulate, the NT Guideline defines these services for the purposes of ring-fencing
- the primary operational areas involved in the provision of contestable electricity services and those involved in the provision of non-electricity services



3. Measures to ensure compliance

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

Throughout the 2019 -20 regulatory year, Power and Water engaged in a discovery phase of its compliance framework to align their compliance activities with the Guideline compliance obligations. In addition, Power and Water implemented various compliance activities to demonstrate their commitment to compliance.

Power and Water is working at strengthening compliance measures and controls in order to comply with the obligations of the Guideline. Power and Water are committed to maturing our compliance framework by preparing a road map of activities to enhance our ring-fencing compliance program. The compliance measures put in place by Power and Water as relevant to the obligations in the Guideline are discussed in this Ring-fencing Compliance Report.

The following section of the report provides an overview of Power and Water's activities over the next 18 months to uplift its compliance management framework in respect to the Guidelines. Power and Water will be focusing on the following high-risk areas:

1. Maintain separate accounts
2. Functional separation
 - a. Discrimination
3. Information access and disclosure

Appendix 1 of this report provides a full set of controls and measures that Power and Water has in place to demonstrate its commitment to compliance with the Guideline. These controls are being revisited as indicated in the plan below to test their validity against the obligations of the Guideline.

These controls have also been mapped against the obligations in the Guideline to which they primarily apply. In the absence of specific and/or documented controls in place to address Guideline requirements, the controls in place for the jurisdiction UC Code were as a benchmark of compliance.

3.1. Uplift of ring-fencing compliance management framework

Power and Water are in early stages of adopting the NT NER. As such are on a journey to maturing their compliance management framework to better align with the obligation at a national level. Power and Water are committed to evolving their activities to achieve the desired future state, as well as to adapting to changes in the business and its operating environment to ensure effective compliance with relevant regulatory obligations.

The following provides Power and Water's commitment to maturing its obligations under the Guidelines by revisiting the current controls and testing them against the Guidelines obligations. The initiatives identified provide an implementation roadmap for Power and Water's implementation of the Guidelines over an 18-month period.

This road map serves as an action plan for Power and Water's journey to deliver a stronger compliance framework in both the short term and longer term.



Diagram 3: Proposed road map for uplift of ring-fencing compliance management framework

			Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Priority Task	Accountability	Milestone														
Phase one			31-Dec-20													
Revisit UC Code business controls against the requirements of the Guideline.	Risk & Quality Risk, Internal Audit															
Review current incident and breach register for ring-fencing exposure	Risk & Quality Risk, Internal Audit															
Develop training to socialise with impacted personnel.	Risk & Quality Risk, Internal Audit															
Phase two			31-Mar-21													
Implement training across organisation	Risk & Quality Risk, Internal Audit															
Establish appropriate internal accounting procedures and controls.	CFO															
Uplift existing business controls to satisfy the requirements under the Guideline.	Risk & Quality Risk, Internal Audit															
Include express questions in business quality monitoring scorecards relating to Ring Fencing compliance.	Risk & Quality Risk, Internal Audit															
Phase three			30-Jun-21													
Determine whether the provision of contestable electricity services through related electricity services providers needs to be separated from direct control service activity.	Customer Strategy and Regulation															
Consider which preventative and detective controls to satisfy compliance with Section 3 of the Guideline.	Risk & Quality Risk, Internal Audit															
Establish business and compliance assurance reviews to tighten access to confidential information.	Risk & Quality Risk, Internal Audit															
Consider which preventative and detective controls to satisfy compliance with Section 4 of the Guideline.	Risk & Quality Risk, Internal Audit															
Establish information, staff, waiver registers in accordance with the requirements under the Guideline.	Risk & Quality Risk, Internal Audit															
Uplift existing controls to satisfy the requirements under the Guideline.	Risk & Quality Risk, Internal Audit															
Phase four			30-Sep-21													
Prepare the application of a waiver permitted by the Guideline.	Risk & Quality Risk, Internal Audit															
Proactively seek AER consent for waivers or monitor for the need for waivers.	Risk & Quality Risk, Internal Audit															
Prepare a report complementing business as usual compliance process.	Risk & Quality Risk, Internal Audit															
Establish monitoring prior to the implementation of Guideline controls.	Risk & Quality Risk, Internal Audit															
Revisit compliance business practices considering Ring Fencing.	Risk & Quality Risk, Internal Audit															
Phase five			31-Dec-21													
Establish governance for endorsed waivers and registers.	Risk & Quality Risk, Internal Audit															



3.2. Breaches

For the 2019-2020 regulatory year, the following breaches were recorded and reported under current jurisdictional requirements.

Ring-fencing category	Date of breach	Nature of breach
Section 3.9 (UC Code) confidential information	5/02/2020	Providing metering data to the incorrect retailer
Section 3.9 (UC Code) confidential information	19/03/2020	Unintentional disclosure of one (1) account's details through incorrect invoicing to a different retailer.



Appendix 1 – Compliance controls and measures

These controls have also been mapped against the obligations in the Guideline to which they primarily apply. In the absence of specific and/or documented controls in place to address Guideline requirements, the controls in place for the jurisdiction UC Code were as a benchmark of compliance.

KEY: ♦ Preventative Control ● Detective Control □ Corrective Control			
Category	Clause	Obligation	Controls
Separate accounts	3.2.1(a)	A DNSP must establish and maintain appropriate internal accounting procedures to ensure that it can demonstrate the extent and nature of transactions between the DNSP and its affiliated entities	♦ Cost Allocation Methodology (CAM) as approved by the AER ♦ Cost Allocation Management Program and Principles. ♦ Finance - Ring Fencing Code - restrictions on information distribution procedure. ♦ Finance - Ring Fencing Code - Confidentiality Agreement Form. ♦ Internal accounting procedures
Cost allocation and attribution	3.2.2 (a), (b)	A DNSP must: (a) allocate or attribute costs to distribution services in a manner that is consistent with the Cost Allocation Principles and its approved CAM, as if the Cost Allocation Principles and CAM otherwise applied to the allocation and attribution of costs between distribution services and non-distribution services other services. (b) must only allocate or attribute costs to distribution services in accordance with clause 3.2.2(a), and must not allocate or attribute other costs to the distribution services it provides.	♦ Cost Allocation Methodology (CAM) as approved by the AER ♦ Cost Allocation Management Program and Principles. ♦ Internal accounting procedures
Cost allocation and attribution	3.2.2 (c)	A DNSP must establish, maintain and keep records that demonstrate how it meets the obligations	♦ Cost Allocation Management Program and Principles ♦ Internal accounting procedures provide standard reconciliation processes



Category	Clause	Obligation	Controls
Functional separation	4.1 (b)	A DNSP must not discriminate (either directly or indirectly) between a related electricity service provider and a competitor (or potential competitor) of a related electricity service provider in connection with the provision of: (i) direct control services by the DNSP (whether to itself or to any other legal entity); and / or (ii) contestable electricity services by any other legal entity	<ul style="list-style-type: none"> ◆ A Ring-fencing training package is in development for deployment across all staff to assist in understanding their obligations under the Guideline ◆ Power and Water's ring-fencing webpage outlines that it treats all RESPs and competitors the same when it comes to contestable electricity service
Functional separation	4.1 (c)	Without limiting its scope, clause 4.1(b) requires a DNSP to: (i) in dealing or offering to deal with a related electricity service provider, treat the related electricity service provider as if it were not a related electricity service provider (that is, as if it had no connection or affiliation with the DNSP); (ii) in like circumstances, deal or offer to deal with a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider on substantially the same terms and conditions; (iii) in like circumstances, provide substantially the same quality, reliability and timeliness of service to a related electricity service provider and a competitor (or potential competitor) of the related electricity service provider; (iv) subject to clause 4.3.3(b), not disclose to a related electricity service provider information the DNSP has obtained through its dealings with a competitor (or potential competitor) of the related electricity service provider where the disclosure would, or would be likely to, provide an advantage to the related electricity service provider.	<ul style="list-style-type: none"> ◆ A Ring-fencing training package is in development for deployment across all staff to assist in understanding their obligations under the Guideline ◆ Power and Water has a Finance Ring Fencing Code restrictions in the Information Distribution Procedure, and Statutory - Ring Fencing Code - Restrictions on Information Distribution Procedure which sets out requirements staff are to comply with.



Category	Clause	Obligation	Controls
Functional separation	4.2.4	A DNSP must establish, maintain and keep a register that identifies: (a) the classes of offices to which it has not applied clause 4.2.1(a) by reason of clauses 4.2.1(b)i. or 4.2.1(b)iii.; and (b) the nature of the positions (including a description of the roles, functions and duties) of its members of staff to which it has not applied clause 4.2.2(a) by reason of clauses 4.2.2(b)i.a., 4.2.2(b)i.b., 4.2.2(b)iii. or 4.2.2(d); and must make the register publicly available on its website ¹ .	<ul style="list-style-type: none"> ◆ Staff and Office sharing register maintained and published on the Power and Water's ring-fencing webpage
Protection of confidential information	4.3.2	A DNSP must: (a) keep confidential information confidential; and (b) only use confidential information for the purpose for which it was acquired or generated.	<ul style="list-style-type: none"> ◆ There is an Information Sharing Protocol on the Power and Water's ring-fencing webpage that sets out the terms and conditions that apply to information sharing ◆ Power and Water has contracts conditions in place for delivery of Services, Goods and Major Works ◆ Power and Water has a Finance Ring Fencing Code restrictions in the Information Distribution Procedure ◆ Power and Water has a Statutory - Ring Fencing Code - Restrictions on Information Distribution Procedure ◆ Power and Water has a Take 5 Check (Confidentiality process/checklist) ◆ Power and Water has ICT systems managing confidential information - T3.03 EA Application Catalogue ◆ Power and Water has ICT systems managing confidential information - RMS Table Classification ◆ Power and Water has ICT systems managing confidential information - DW_FMS Data Classification ◆ Power and Water has ICT systems managing confidential

¹ It is noted that clause 4.2.4 does not apply by the derogations applied to the NT under clause 6.17.1B of the NT NER



Category	Clause	Obligation	Controls
			<p>information - Maximo Table Classification PROD</p> <p>◆ Power and Water has ICT systems managing confidential information - ICT Environment Updated</p>
Disclosure of information	4.3.3	<p>A DNSP must not disclose confidential information to any person, including a related electricity service provider, unless:</p> <p>(a) the DNSP has first obtained the explicit informed consent of the relevant customer, or prospective customer, to whom the confidential information relates;</p> <p>(b) the disclosure is required by, or for the purpose of complying with any law;</p> <p>(c) the disclosure is necessary to enable the DNSP to provide its distribution services, its transmission services or its other services (including by acquiring services from other legal entities);</p> <p>(d) the information has been requested by or on behalf of a customer, or potential customer, of another legal entity, and the disclosure is necessary to enable the legal entity to provide its transmission services, contestable electricity services or other services to the customer or potential customer;</p> <p>(e) the disclosure is solely for the purpose of providing assistance to another Network Service Provider to the extent necessary to respond to an event (such as an emergency) that is beyond the other Network Service Provider's reasonable control;</p> <p>(f) the disclosure is solely for the purposes of research by a legal entity other than a related electricity service provider of the DNSP;</p> <p>(g) where another DNSP is an affiliated entity of the DNSP, the disclosure is to the part of that other DNSP that provides that other DNSP's direct control services; or</p> <p>(h) a related electricity service provider of the DNSP has requested the disclosure and the DNSP complies with clause 4.3.4 in relation to that confidential information.</p>	<p>◆ Allowable uses of confidential information stored in ICT systems, customer records, HR records and financial records are defined as per information security and acceptable use of technology policies.</p> <p>◆ Power and Water has a Finance Ring Fencing Code restrictions in the Information Distribution Procedure</p> <p>◆ Power and Water has a Statutory - Ring Fencing Code - Restrictions on Information Distribution Procedure</p> <p>◆ Power and Water has a Take 5 Check (Confidentiality process/checklist)</p> <p>◆ Power and Water has ICT systems managing confidential information - T3.03 EA Application Catalogue</p> <p>◆ Power and Water has ICT systems managing confidential information - RMS Table Classification</p> <p>◆ Power and Water has ICT systems managing confidential information - DW_FMS Data Classification</p> <p>◆ Power and Water has ICT systems managing confidential information - Maximo Table Classification PROD</p> <p>◆ Power and Water has ICT systems managing confidential information - ICT Environment Updated</p>



Category	Clause	Obligation	Controls
Sharing of information	4.3.4	<p>Subject to clause 4.1(c)iv. and to this clause 4.3.4, where a DNSP shares confidential information with a related electricity service provider, or where confidential information that a DNSP has disclosed under clause 4.3.3(f) is then disclosed by any person to a related electricity service provider of the DNSP, the DNSP must provide access to that confidential information (including the derived information) to other legal entities on an equal basis.</p> <p>(b) A DNSP is only required by clause 4.3.4(a) to provide information to a legal entity where:</p> <ul style="list-style-type: none"> i. the legal entity has requested that it be included on the information register in respect of information of that kind; and ii. the legal entity is competing, or is seeking to compete, with the DNSP, or a related electricity service provider of the DNSP, in relation to the provision of contestable electricity services. <p>(c) A DNSP is not required by clause 4.3.4(a) to provide information to a legal entity where the DNSP has disclosed the information in the circumstances set out in clauses 4.3.3(a) to (e).</p> <p>(d) Without limiting clause 4.3.4(a), a DNSP must establish an information sharing protocol that sets how and when it will make the information referred to in clause 4.3.4(a) available to legal entities, and must make that protocol publicly available on its website.</p> <p>(e) Where a DNSP discloses information referred to in clause 4.3.4(a) to any other legal entity under this clause 4.3.4, it must do so on terms and conditions that require the other legal entity to comply with clause 4.3.2 and 4.3.3(a) to (d) in relation to that information as if the other legal entity was a DNSP.</p>	<p>◆ Power and Water has published an Information sharing protocol and Information sharing register on its webpage</p>
Information register	4.3.5	<p>A DNSP must establish, maintain and keep a register of all:</p> <ul style="list-style-type: none"> i. related electricity service providers; ii. other legal entities who provide contestable electricity services but who are not affiliates of the DNSP; who request access to information identified in clause 4.3.4(a), and must make the register publicly available on its website. <p>(b) For each legal entity that has requested that a DNSP provide access to</p>	<p>◆ Power and Water has published an Information sharing protocol and Information sharing register on its webpage</p>



Category	Clause	Obligation	Controls
		<p>information identified in clause 4.3.4(a), the DNSP's information register must:</p> <ul style="list-style-type: none"> i. identify the kind of information requested by the legal entity; and ii. describe the kind of information requested by the legal entity in sufficient detail to enable other legal entities to make an informed decision about whether to request that kind of information from the DNSP. <p>(c) A legal entity may request that the DNSP include it on the information register in relation to some or all of the kinds of information that the DNSP is required to provide under clause 4.3.4(a), and the DNSP must comply with that request.</p>	
Conduct of service providers	4.4.1 (a)	<p>A DNSP:</p> <p>(a) must ensure that any new or varied agreement between the DNSP and a service provider, for the provision of services to the DNSP that enable or assist the DNSP to supply direct control services, requires the service provider to comply, in providing those services, with:</p> <ul style="list-style-type: none"> i. clauses 4.1, 4.2.1, 4.2.2 and 4.3.2 of this Guideline; and ii. clause 4.2.3 of this Guideline in relation to the brands of the DNSP; as if the service provider was the DNSP. 	<ul style="list-style-type: none"> ◆ Power and Water has templates approved by Legal for the use of all procurement activities. ◆ Power and Water has a Contract Conditions Consultancy Services Standard Terms Vn 1.1 ◆ Power and Water has a Contract Conditions Goods, Services and Works Standard Terms Vn 1.0 ◆ Power and Water has a Contract Conditions Major Works Vn 1.1 ◆ Power and Water has a Fact Sheet - Confidentiality Deeds - Web linked ◆ Power and Water has a PWC Pre-contract Confidentiality Deed
Conduct of service providers	4.4.1 (b)	<p>A DNSP (b) must not, directly or indirectly, encourage or incentivise a service provider to engage in conduct which, if the DNSP engaged in the conduct itself, would be contrary to the DNSP's obligations.</p>	<ul style="list-style-type: none"> ◆ A Ring-fencing training package is in development for deployment across all staff to assist in understanding their obligations under the Guideline ◆ Power and Water staff are required to undertake Code of Conduct training
DNSP's application for a waiver	5.2	<p>A DNSP may apply in writing to the AER for a waiver of its obligations under clauses 3.1, 4.2 and / or 4.4.1(a) of this Guideline, either on its own behalf or on behalf of itself and one or more other DNSPs who are affiliated entities of the DNSP. An application for a waiver must contain all information and materials necessary to support the DNSP's application, including:</p>	<ul style="list-style-type: none"> ◆ Under the derogations in place for the NT, the waivers have not been actively developed.



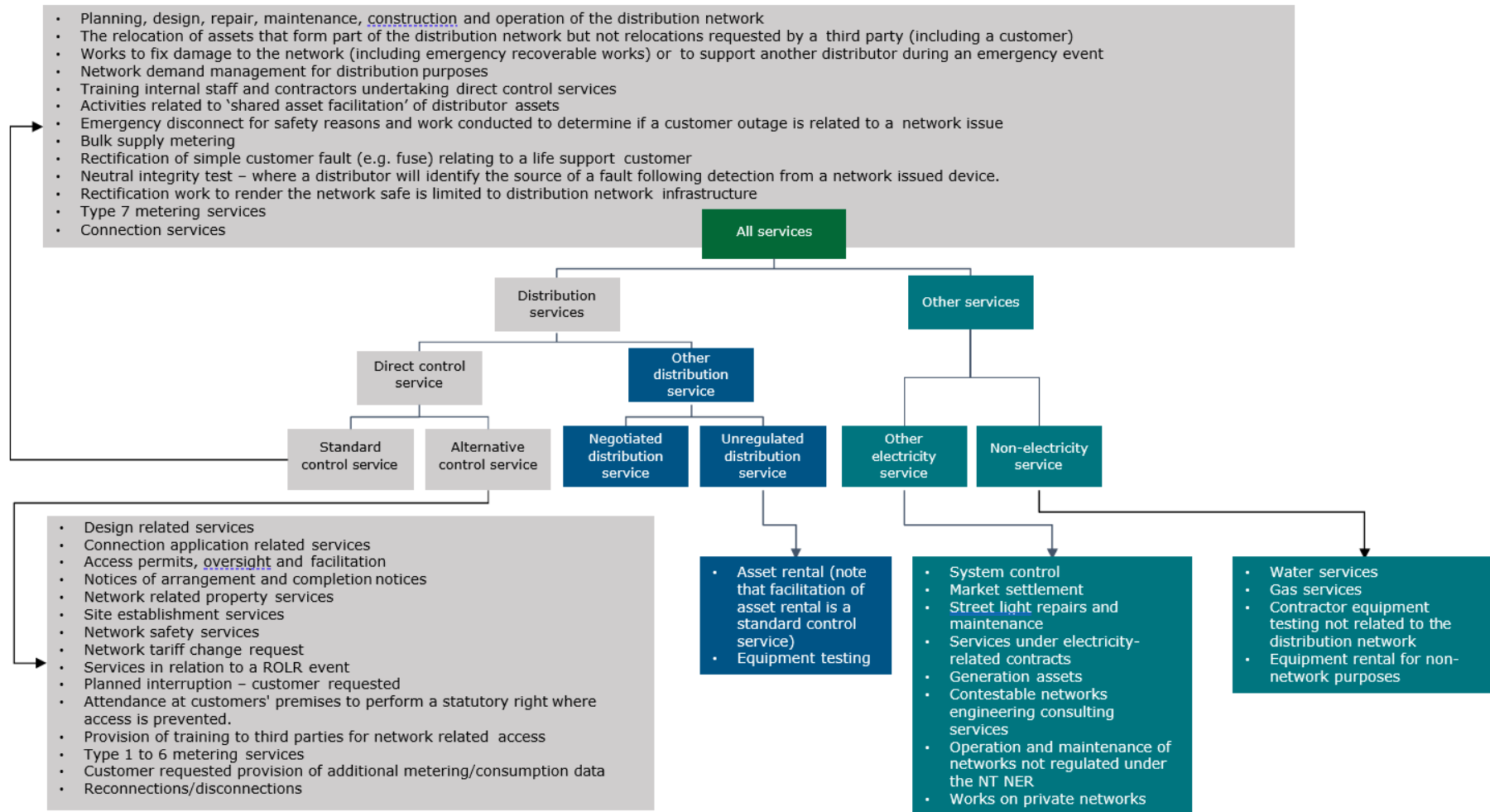
Category	Clause	Obligation	Controls
		<p>(a) the obligation in respect of which the DNSP is applying for a waiver;</p> <p>(b) the reasons why the DNSP is applying for the waiver;</p> <p>(c) details of the service, or services, in relation to which the DNSP is applying for the waiver;</p> <p>(d) the proposed commencement date and expiry date (if any) of the waiver and the reasons for those dates;</p> <p>(e) details of the costs associated with the DNSP complying with the obligation if the waiver of the obligation were refused;</p> <p>(f) the regulatory control period(s) to which the waiver would apply;</p> <p>(g) any additional measures the DNSP proposes to undertake if the waiver were granted; and</p> <p>(h) the reasons why the DNSP considers the waiver should be granted with reference to the matters specified in clause 5.3.2(a), including the benefits, or likely benefits, of the grant of the waiver to electricity consumers.</p>	
Waiver register	5.7	<p>A DNSP (a) must establish, maintain and keep a register of all waivers (including any variation of a waiver) granted to the DNSP by the AER under clause 5 of this Guideline, and must make the register publicly available on its website.</p> <p>(b) The register established under clause 5.7(a) must include:</p> <p>i. the description of the conduct to which the waiver or interim waiver applies; and</p> <p>ii. the terms and conditions of the waiver or interim waiver; as set out in the AER's written decision, provided by the AER to the DNSP, to grant (or vary) the waiver or interim waiver.</p>	<p>◆ A copy of the ring-fencing Waiver Register outline all waivers is published on the Power and Water's ring-fencing webpage</p>
Maintaining compliance	6.1	<p>A DNSP must establish and maintain appropriate internal procedures to ensure it complies with its obligations under this Guideline.</p>	<p>◆ Power and Water has a policy - Risk and Compliance Policy Statement.</p> <p>◆ Power and Water has documented process maps on compliance activities in Promapp for all employees to access</p> <p>◆ Power and Water has a standard - Compliance Management Standard.</p> <p>◆ Power and Water has a Procedure - Compliance Obligation Management Procedure.</p> <p>◆ Power and Water has a Procedure - Non-compliance</p>



Category	Clause	Obligation	Controls
			<p>Event Management and Reporting Procedure.</p> <ul style="list-style-type: none"> ◆ Power and Water has a Procedure - BU Compliance Management Template. ◆ Power and Water has a Procedure - Compliance Attestation and Declaration Procedure. ◆ Power and Water has a Procedure - Control Verification Procedure. ◆ Power and Water has a Procedure - Draft Internal Audit Procedure Manual. ◆ All staff must undertake mandatory training on the Competition and Consumer Act ◆ Power and Water maintains an obligation register, which is managed by the Compliance Team. ● Register of non-compliance - NT Ring-Fencing Code. ● Promapp - compliance breach screenshot.
Annual compliance reporting	6.2.1 (a)-(c)	A DNSP must prepare an annual ring-fencing compliance report each regulatory year.	<ul style="list-style-type: none"> ● Power and Water maintains an obligation register, which is managed by the Compliance Team, including a reporting calendar.
Compliance breaches	6.3	A DNSP must notify the AER in writing within five business days of becoming aware of a material breach of its obligations under this Guideline.	<ul style="list-style-type: none"> ● Power and Water maintain a Register of non-compliance - NT Ring-Fencing Code. ● Promapp - compliance breach screenshot.
Transitional controls	7.1 (b)	Where a distribution determination applicable to a DNSP results in a change in the classification of a distribution service provided by the DNSP, and that change puts the DNSP in breach of an obligation under this Guideline, the DNSP must comply with that obligation within 12 months of the commencement date of the distribution determination.	<ul style="list-style-type: none"> ● A subject matter expert monitors changes in the regulations and modifies controls as necessary



Appendix 2 - Existing Power and Water service classification and Guideline treatment





Appendix 3 – AER Ring-fencing Guideline as applied to the Northern Territory

The embedded document is an unofficial version of the AER Ring-fencing Guideline which has been marked-up to show the sections that do not apply in the Northern Territory as at 1 July 2019 due to derogations under clause 6.17.1B of the National Electricity Rules as modified for the Northern Territory (NT NER).

It is in indicative representation of the Guideline for internal understanding purposes only.



Adobe Acrobat
Document

AER Ring-fencing Guideline as applied to the Northern Territory (unofficial)